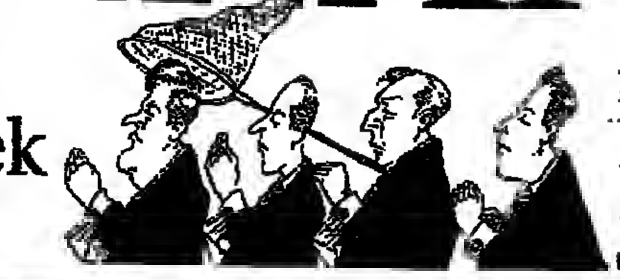
FINANCIAL TIMES

World Business Newspaper

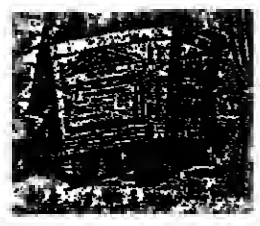
MONDAY JANUARY 8 1996

Start the week with...



Headhunters *Lured by respectability* Management, Page 12

Russia's palaces *In need of care and attention* Architecture, Page 16



New Zealand *Banks break with tradition* Page 19

Today's survey *Revitalising South London* Pages 7-10

Biggest snowstorm for decades hits US air traffic

The largest snowstorm in decades has hit the eastern US. The National Weather Service predicted up to 30 inches (76cm) of snow for the area around Washington DC, which bore the brunt of the storm, and said zero visibility had virtually closed traffic by air along the east coast corridor. Blizzard warnings were issued from western Virginia to New York, including parts of Delaware, Pennsylvania and Maryland.

Intel admits chip speed error: The world's largest chip manufacturer Intel said it was "truly sorry" for false results that overstated the performance of some of its newest Pentium chips by about 10 per cent. Page 21

London exchange faces more conflict: The London Stock Exchange faces further conflict over trading reforms as investment banks prepare to block a choice of methods for trading shares. The row follows last week's dismissal of the exchange's chief executive Michael Lawrence. Page 20

Arafat accuses Israel: PLO chairman Yasser Arafat accused Israel of Friday's killing of the Hamas militant Yahya Ayyash, calling it a violation of the Israeli-PLO peace agreement.

Three share UK lottery jackpot: Nine out of 10 UK adults took part in the country's National Lottery on Saturday, in search of a share of the record £42m ($64.7m) jackpot. Three tickets will share the biggest prize. Page 5

US product liability awards cut: US juries have been awarding considerably smaller amounts to people who claim to have been harmed by defective products. Page 4

Goldman Sachs, the investment bank, is close to buying AMF, the US's biggest operator of bowling alleys. Page 23

Seven killed in Karachi blast

Seven people were killed and 35 injured wheo a bomb exploded oo a bus in the southern Pakistani city of Karachi, pclice said. Dcctors said the death toll could rise. Sindh province chief minister Abdullah Shah blamed unspecified terrorists.

Japan may seek Airbus design review: Japan is expected to request a review of the design of the Airbus A300-600, following an investigation into a 1994 China Airlines crash in which 264 people died, according to the Japanese national daily, the Yumiuri Shimbun. Page 3

Indian PM confirms April poll: P.V. Narisimha Rao, India's prime minister, said he would "definitely" take the coontry to the polls in April, though a final date remained to be fixed. Page 3

Brazil buyer for failed bank: Brazil's Banco Excel has reached an agreement in principle to acquire Banco Econômico, which last year nearly collapsed. Page 4

Granada considers next Forte bid move: UK leisure group Granada will decide today how to continue its £3.3bn ($5.1bn) hostile takeover battle for Forte, the UK's largest hotels group. The most likely move seems to be a rise in the bid. Page 21

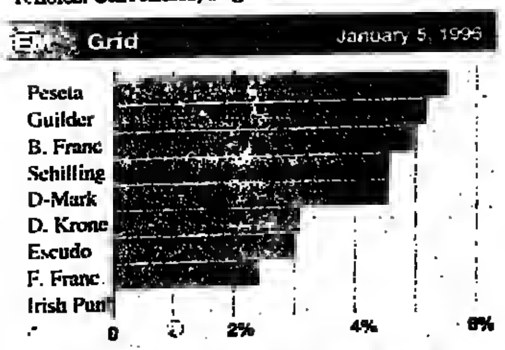
China silent on Li visa: China has given uu response to the US decisiou to issue a transit visa to Li Yuan-zu, Taiwan's vice-president. Page 3

Sinn Féin accused on murders: Sinn Féin, political wing of the IRA, was accused by UK prime minister John Major uf directing recent murders in Northern Ireland by a group claiming to be fighting the drugs trade. Page 5

Lincoln Kirstein, joint founder of New York City Ballet, has died in New York, aged 87. His crowning achievement was his role in establishing classical ballet as an American art. Obituary, Page 17

European Monetary System: The peseta last week managed to climb to the top uf the EMS grid, belped by a firmer dollar. The Austrian schilling also moved above the D-Mark, which was generally weaker as the dollar rallied. There was little change tu the spread between strongest and weakest currencies. Currencies, Page 29

EMS Grid January 5, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Clinton's budget plan rejected

Republicans deride fifth attempt to end shutdown as Rubin warns of debt default

By Nancy Dunne in Washington

US Republicans yesterday rejected President Bill Clinton's latest budget plan, as Mr Robert Rubin, tbe US Treasury secretary, warned that without agreement by mid-February he might be unable to prevent a US debt default.

Mr Clintou's new plan is based on proposals by Senate Democrats which include smaller tax cuts than the Republicans are demanding. Other provisions include a cut uf $102bn from healthcare programmes for the elderly, lese than balf that requested by Republicans.

The White House said the president's plan "clearly shows" that the budget could be balanced in seven years using Congressional Budget Office (CBO) estimates, without deep cuts in health and education spending demanded by the Republicans.

The plan submitted by Mr Clinton provides for tax cuts of $87bn over seveu years, while the Republicans are demanding $245bn in tax reductions. Senior Republicans expressed some satisfaction that Mr Clinton had submitted a balanced budget proposal, but still strongly disagreed with the details.

Mr Clinton met Repohlican leaders on Saturday night and is expected to hold further discussions with them today, but they are still far from agreement. On Saturday, he also signed two bills that provided for a return to the public payroll for 760,000 workers.

Mr Tom DeLay, the Republican whip in the House of Representatives, yesterday derided the presideot's latest plan, his fifth, although Mr Clinton had complied with congressional demands for a balanced budget in seven years using the CBO estimates.

However, the plan called for $400bn more in spending than the proposed Republican budget, and demonstrated that Mr Clinton is "a liberal Democrat who wants to continue spending", Mr DeLay said.

For two months, the Republican-controlled Congress has refused to pass a measure raising the limit on a national debt without agreement by the president to balance the US budget by 2002. Mr Rnbin has only avoided a default by underinvesting in government pension funds.

Mr Rubin, who said the US was "okay" in servicing debts until mid-February, insisted yesterday that he had acted within the law to avoid a default and dismissed Republican calls for his impeachment.

He said he would continue to search for a etrategy to avoid default using means approved by the Treasury's lawyers: "We have not yet found a measure that is fully compliant with all the requisite statutory authorities, but we are working full board to get us beyond that period."

The tactics used to avoid a default have infuriated Republicans, who had expected that the threat would bring the president to his knees weeks ago. Instead the longest government shutdown in history has hurt the Republicans' standing in the polls.

Mr DeLay accused Mr Rubin of "looting the pensions funds" and also denied yesterday that the Repnblicans had retreated hy approving legislation on Friday that would allow the government to reopen until January 26.

"We haven't retreated, and we haven't caved in," Mr DeLay said. "We made the president lay a budget on the table, he should have laid out back in November." He said House Republicans had conclnded Mr Clinton did not really want a balanced budget.

Budget analysis, Page 4
Lex, Page 20

Japanese coalition to support Hashimoto as new PM

By William Dawkins in Tokyo

Leaders of Japan's three ruling coalition parties are today due to endorse Mr Ryutaro Hashimoto, the combative president of the Liberal Democratic party, as next prime minister.

This will pave the way for Mr Hashimoto, who takes a tough line against foreign trade pressure, to win the support of parliament – where the coalition has a majority in both houses, in a vote on Thursday.

The coalition accord, which also includes the new government's policy manifesto, follows the surprise resignation on Friday of Mr Tomiichi Murayama, Japan's socialist leader.

Mr Hashimoto plans immediately after the vote to announce a radical cabinet reshuffle designed to tighten the LDP's grip on government, according to party officials. Yesterday's pact was made possible by compromises from the LDP, the dominant member of a disparate coalition which groups Mr Murayama's Social Democratic party and the left-leaning New Harbinger party (NHP).

Neither of the LDP's two smaller partners share Mr Hashimoto's eagerness to go to the polls and the LDP itself is divided on when to face a general election. But both Mr Murayama and Mr Masayoshi Takemura, leader of the NHP, acknowledged Mr Hashimoto as the coalition candidate for new leader yesterday.

The LDP also agreed, to satisfy the NHP, to "make efforts" to clarify who was to blame for the near bankruptcy of seven housing loan companies which have had to be wound up with the controversial help of at least Y685bn ($6.7bn) from public funds.

This is a bolder promise than it sounds, because the housing loan companies were in Mr Hashimoto's charge when he was finance minister from 1989 to 1991, wben their lending to overvalued property schemes peaked.

The coalition's decision to hold on to power will be unpopular.

Continued on Page 20
Coalition sets out agenda, Page 3
Editorial Comment, Page 19

Yeltsin draws up list of candidates for Kozyrev's job

By John Thornhill in Moscow

President Boris Yeltsin has begun the search for a new foreign minister whose appointment is expected to signify a change in style ratber than substance in Russia's foreign policy.

Observers of the Russian political sceoe have already suggested several possible replacemeuts, from the ranks of diplomats, parliamentarians and presidential aides, for Mr Andrei Kozyrev who resigned on Friday.

Mr Victor Chernomyrdin, the prime minister, last week held meetings with the leaders of the biggest parliamentary factions in which it is believed he discussed possible cabinet changes.

However, Mr Yeltsin's spokesman has stressed that Mr Kozyrev's departure resulted from his "mistakes" and did not signify a shift in Russian foreign policy. Mr Kozyrev, Mr Yeltsin's longest-serving minister, had been criticised by the president in recent months for not defending Russian interests more vigorously.

Nonetheless, Mr Yeltsin's choice of a successor will be analysed abroad for clues about the mood in the Kremlin after the strong sbowing of communists and ultra-nationalists in last month's parliamentary elections.

Foreign policy observers suggested the ideal candidate must fulfil three functions: command the trust of Mr Yeltsin, win the respect uf the more nationally minded parliament and maintain good relations with the west over issues such as policy towards the former Yugoslavia.

Mr Yeltsin may be tempted to appoint a relatively colourless career diplomat, such as Mr Igor Ivanov, first deputy foreign minister, or Mr Vitaly Churkin, ambassador to Brussels. Both these men have spoken for Russia in negotiations over the fate of the former Yugoslavia.

Such candidates would be unlikely to prove offensive to parliameot, but could be closely controlled by the president. Mr Yeltsin recently created a foreign policy council, independent of the Ministry of Foreign Affairs, which is expected to play a bigger role in developing foreign policy.

However, the president could opt for a more influential diplomat who has well-articulated views about Russia's international role. Some western diplomats have tipped Mr Anatoly Adamishin, ambassador to the UK, as a likely replacement.

Last year Mr Adamishin was recalled for talks at Mr Yeltsin's holiday home in Sochi, prompting speculation that he might play a more prominent role in Russian foreign policy.

Another candidate of similar stature and nationalist outlook is Mr Yuli Voroetsov, ambassador to the US, who has played an important role in nnclear disarmament talks.

The third option may be for Mr

Continued on Page 20
Cloudy crystal ball, Page 2

Celebration for ANC's 84th birthday

South African president Nelson Mandela celehrates the 84th hirthday of his ruling African National Congress with South African mnsician Condry Siqubu. In his annual policy statement Mr Mandela called on his rivals to co-operate in the transition to majority rule Reuter

Germany's FDP pledges tax cuts in fight for survival

By Peter Norman in Stuttgart

Germany's small, liberal Free Democratic party has staked its political survival on securing an early cut in income taxes, despite the risk of conflict with its Christian Democrat and Christian Social Union partners in the federal government coalition.

At the party's traditional new-year meeting in Stuttgart, Mr Wolfgang Gerhardt, tbe FDP chairman, insisted a start be made next year on ending the heted "sulidarity surcharge". This adds 7.5 per cent to income tax bills to finance restructuring of the east German economy.

Declaring that lower taxes and reduced spending were the way to create jobs, Mr Gerhardt said eliminetion of the surcharge would be the "decisive signal" for fostering individual initiative and reducing public sector involvement in the German economy.

His wurds could strain relations between the FDP, the junior coalition partner in Bonn, and Mr Theo Waigel, the finance minister and CSU leader, who yesterday again ruled out an early cut in the surcharge. Mr Waigel fears that such action could push Germany's hudget deficit above the Maastricht ceiling of 3 per cent of gross domestic product.

However, the FDP has little option but to pursue distinct policies, even though they could bring confrontation.

After 12 state election defeats, the party is facing an important test on March 24 when voters in Baden Württemberg, Rhineland Palatinate and Schleswig Holstein go to the polls. It needs 5 per cent of the votes in each state to be represented in their parliaments, but a national opinion poll published in the newspaper Die Woche last week gave the FDP just 3 per cent support.

Failure to secure the 5 per cent needed in one or more of the elections could renew internal strife in the party, which last month saw the resignation of left-of-centre Ms Sabine Leutheusser-Schnarrenberger from the post of justice minister in Bonn. A split in the FDP could threaten the coalition of Chancellor Helmut Kohl, which has a majority of just 10 seats in the Bundestag, the lower house of parliament.

The policy of differentiating the FDP from its coalition partners is the idea of Mr Guido Westerwelle, the party'e ambitious 34-year-old general secretary. At Saturday's meeting, he poured scorn on the CDU and CSU for, in effect, being social democratic parties while marking out tha FDP as the party of the individual and small businessmen.

Other speakers also underlined the FDP's independent status. Mr Klaus Kinkel, the foreign minister and former FDP leader, declared that the party would be loyal to the Bonn coalition but that its partners should realise it had its own views and pride.

As if to emphasise the point, he adopted a more strident tone than usual on several foreign policy issues. Ha condemned French nuclear tests and demanded that Russian president Boris Yeltsin halt the war in Chechnya.

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30
Bulgaria	Lv120.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.70
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Syria	S£65.00
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)		Tunisia	Din1.750
France	FFr11.50	Lebanon	US$1.50		Es240	Turkey	L70,000
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00

CONTENTS

هكذا من الاصل

Italy ensures turbulent backdrop for EU

Rome's presidency of the Union is likely to be hampered by uncertainty surrounding Dini's future, writes Robert Graham

The Italian prime minister's office has been thoughtful enough to distribute a simple but elegant diary for 1996.

It contains a list of names and telephone numbers of all members of the government, headed by Mr Lamberto Dini as prime minister. As the country's politicians debate the future of Mr Dini, who tendered his resignation just before the new year, some might accuse the prime minister's office of optimism.

Certainly Mr Jacques Santer, president of the European Commission, who meets Mr Dini in Rome today for the first formal session of the Italian presidency of the EU, must be wondering whether Mr Dini will be his interlocutor for the next six months. Matters will be unclear for up to two weeks.

Mr Dini has staked his claim to continue in office – with a reshuffled cabinet, if necessary – on the grounds that he is the most suitable figure to guide Italy during the EU presidency, which rotates every six months through the 15 member states. Already he has left his mark by ensuring his home town of Florence is the site of the main council meeting, while Turin, the native city of Ms Susanna Agnelli, his foreign minister, has been chosen to hold the opening of the intergovernmental conference (IGC).

However, as all the political leaders admit in private, maintaining Mr Dini with a stable government for the duration of the EU presidency is merely a means of postponing the date of a general election until at least June.

The EU presidency only emerged as a factor in domestic politics last autumn. Before then, most politicians representing a wide swathe of opinion raised no objection to an election in February or March. This would have meant the first part of the presidency being taken up with campaigning and the latter half with forming a government, given the length of the Italian political process.

Even those who now advocate holding elections in June – principally the centre-left coalition that has backed Mr Dini – recognise this means having a caretaker government for the latter part of the presidency. Given that parliament has to be dissolved at least 45 days before an election, there would be no executive government from early April.

Whatever the scenario it will be difficult for Mr Dini, or any other government, not to be distracted by a turbulent domestic backdrop. If he is confirmed in office, Mr Dini, a former director general of the Bank of Italy, will be the first non-elected figure to head an EU presidency.

The preoccupation with domestic politics has ensured that Italy has given little thought at the political level to any serious initiative during the presidency. However, the bureaucrats have been hard at work and claim to have prepared the agenda minutely.

Compared with Italy's previous presidency, rather more input has come from the prime minister's office.

This is because the upper echelons of the foreign ministry were left divided by the experience of Mr Antonio Martino as minister under the 1994 Berlusconi government. Mr Martino, for the first time, introduced a strong dose of Euro-scepticism into EU policy. Mr Dini over the past year has been concerned to bring Italy back toward the mainstream.

Thus, despite government uncertainties, the Italian presidency is unlikely to reflect any of the Martino era Euro-sceptic ethos. Furthermore, officials point out that the absence of contentious issues on which decisions have to be taken over the next six months, combined with the low-profile presidency imposed by political uncertainties, will make this a relatively uncomplicated presidency.

This view is shared by Italy's main partners in Brussels.

The main event will be the opening of the IGC at Turin on March 29-30. It is probably too late for it to be much more than a symbolic occasion for a restatement of faith in the European ideal. Nevertheless, the Italian government may well use the occasion to produce some fresh ideas on economic convergence criteria which would reflect the country's problems of compliance with the current Maastricht norms by 1998.

Italy is expected to do its best to carry forward the Mediterranean initiatives begun by the Spanish at Barcelona in November, the centre-piece of which was the beginnings of a free trade zone between the EU and 12 Middle Eastern and North African states. The Italians will also probably raise the question of immigration higher up the agenda.

It is also likely that they will give more attention to the question of employment – both to demonstrate to the Italian public that Europe cares about a key domestic issue, and to give new impetus to the Delors white paper on jobs competitiveness and growth. This was prepared under the then Commission president, Mr Jacques Delors, in 1993 and has since been gathering dust.

Whoever is in government will have to give urgent attention to beefing up the foreign ministry for the presidency. Although Ms Agnelli, the sister of retiring Fiat boss Giovanni, can be arrogant and easily bored, Italy's partners have no quarrel with her as minister.

The problem is the need for the minister to have more help. In the previous Italian presidency, the foreign minister was backed by four under-secretaries. At present there are only two and one of these, Mr Emanuele Scammacca, an EU expert, is due soon to become ambassador to Russia.

Discussion has centred this week on appointing a deputy minister with special powers for the term of the presidency.

Fears over Russian economic reform commitment overshadow loan decision

IMF peers into cloudy crystal ball

Russia's reform-minded government ministers must have celebrated Orthodox Christmas uneasily yesterday as they dwelled on the latest rumours that President Boris Yeltsin was preparing to ditch some of their most forceful supporters.

After the surge in support for communists in last month's parliamentary elections, Mr Yeltsin lashed out at "saboteurs" within the economics ministry whose mistakes had undermined the credibility of reform.

Moscow was abuzz at the weekend with rumours that Mr Yeltsin had signed a decree sacking Mr Yevgeny Yasin, the liberal economics minister, and his deputy, Mr Yakov Urinson, who have provided much of the intellectual ballast for the reform agenda.

Mr Yasin denied he was about to be dismissed, but the virulence of the speculation highlights the intensity of the battle raging for Mr Yeltsin's political soul. As the removal last week of Mr Andrei Kozyrev, his ever-loyal foreign minister, has shown, the calculating 64-year-old president is prepared to sacrifice any pawn to give himself a battling chance in the endgame for the presidential elections scheduled in June.

There are those within Mr Yeltsin's entourage who argue that he should steal his opponents' economic clothes and halt privatisation, intervene more actively to support crippled industries and increase spending on social welfare – even if it leads to higher inflation. They take it as read that, health permitting, Mr Yeltsin will stand for re-election this year.

Such swirling uncertainties make it difficult to predict the course of economic policy with any confidence. Pity, then, the International Monetary Fund, which is in advanced talks with the Russian government about releasing one of its biggest loans.

Within the next few weeks the IMF must decide whether to continue backing Russian economic reform with a budget support loan, known as an Extended Fund Facility, which could lead to the phased disbursement of $9bn-$15bn over the next three years.

The decision could have a critical impact on the development of Russia's fragile market economy – and the credibility of the IMF itself.

Independent economists suggest the successful implementation of an IMF lending programme could entrench the economic progress the Russian government has made in 1995 and help spark growth this year.

But a refusal to grant the loan would be widely viewed in Moscow as a massive vote of no confidence by the west in Mr Yeltsin.

It could seriously damage the Russian economy, given that the government has already pencilled IMF funds into its budget plans.

The IMF prides itself on a reputation for assessing loans on the basis of economic merit, rather than political hypothesis. Last year, for example, it had no qualms about agreeing a $6.8bn loan with Russia while the conflict in the breakaway region of Chechnya was still raging.

Politics are only deemed relevant insofar as they affect the government's ability to deliver on its economic commitments.

But doubts may be beginning to creep in on precisely that score, given the uncertainty over whether the ministers likely to sign an IMF agreement will remain in place to implement it – especially if a communist candidate were to win the presidency.

"The political situation is clearly unsettled and that will make it difficult to make substantial progress on economic stabilisation – or even hold the fort," says one western economist.

The IMF may gamble on the fact that Mr Yeltsin has altered his rhetoric – and even sacrificed government personnel before – without fundamentally changing policies.

In 1993, for example, the reformers were alarmed when Mr Victor Chernomyrdin, a dour Soviet-style apparatchik, replaced the free-market Mr Yegor Gaidar as prime minister and lashed out at "market romanticism". But Mr Chernomyrdin has stuck doggedly to a stabilisation programme that appears on the brink of bearing fruit.

The IMF can certainly take heart from recent economic indicators:

● The monthly rate of inflation in 1995 was cut from 17.8 per cent in January to 3.2 per cent in December and could fall even further this year. The government estimates every 1 percentage point fall in inflation lifts 700,000 people above the poverty line.

● The central bank has amassed considerable hard currency reserves and established real credibility in holding the rouble within a narrow band since summer.

● The 1996 budget, which forecasts a budget deficit of less than 4 per cent of gross domestic product, has been adopted by parliament earlier than in previous years.

● Industrial production appears at last to have bottomed out and in 1996 may register its first annual increase this decade. The OECD is forecasting a 2 per cent rise in gross domestic product this year – barring any political reversals.

"Without question, the government has made substantial progress on the macro-economic front," says Mr Charles Blitzer, chief economist at the Moscow office of the World Bank. "The economy is showing signs of turning the corner."

Mr Yeltsin's strategists may yet conclude his best chances of re-election come from pressing ahead with the main thrust of the government's tough economic policy while trying to smooth its edges by ensuring wages and pensions are paid fully and on time.

Mr Yeltsin may also take some comfort from the Fund's arguments that real economic stabilisation often proves politically popular.

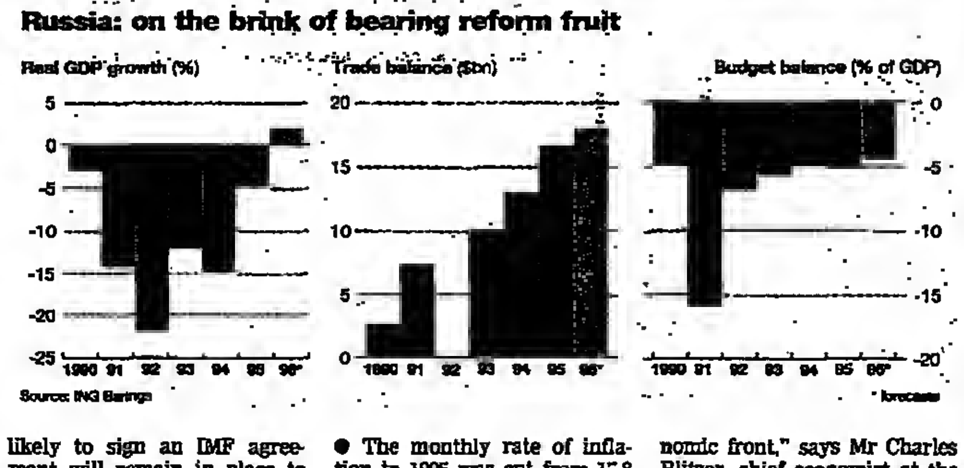
This was shown in Brazil in 1994 when Mr Fernando Henrique Cardoso, the tough-minded finance minister, was elected president.

Whatever is in doubt, it is certain the coming weeks will provide a compelling test of both Mr Yeltsin's commitment to economic reform and the IMF's resolve.

John Thornhill

Boris Yeltsin at a service to celebrate the Russian Orthodox Christmas in Moscow yesterday AP

Russia: on the brink of bearing reform fruit



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Warsaw cuts key interest rates

By Christopher Bobinski in Warsaw

The National Bank of Poland (NBP), the country's independent central bank, has lowered its two main interest rates by two percentage points.

The "crawling peg" devaluation of the zloty against a basket of currencies is also to be reduced from a monthly 1.2 per cent to 1 per cent in an attempt to slow the growth of foreign currency reserves, which rose $9bn last year to $15bn.

The decision by the NBP will be greeted with relief by Poland's former communist-led coalition government, which has long argued for lower interest rates to match falling inflation.

From today the bank's lombard rate, which is designed to act as a ceiling for the domestic interbank market, will be an annual 26 per cent while the rediscount rate, used mainly for loans to finance food crop purchases, falls to 23 per cent.

The NBP says consumer prices at the end of last year were 22.5 per cent higher than at the end of 1994 and it is ready to accept that the government's inflation target of 17 per cent this year could well be achieved.

Ms Hanna Gronkiewicz Waltz, who heads the bank, took a fiercely anti-communist line in her failed campaign to win the country's presidential election last November. She said recently that relations with Mr Grzegorz Kolodko, the finance minister, were good, signalling a possible thaw in what has been, at times, a bruising debate on monetary policy.

The decision to lower interest rates was anticipated by foreign investors, who have been moving in recent days to purchase government bills with the resulting inflows of foreign currencies. This prompted the central bank to speed its decision, which had been expected around the middle of the month.

The Warsaw Stock Exchange also saw a revival in its fortunes ahead of the interest rates move as the main WIG indicator rose by 9.4 per cent in the first trading week of the new year, and by 4.3 per cent to 8,298.9 on Friday, when the cuts were announced.

The NBP's decision comes as parliament is due to pass this year's budget, which includes a planned deficit equal to 2.8 per cent of gross domestic product, with the economy set to grow by 5.5 per cent.

In the budget the government assumes a lombard rate averaging 24.3 per cent over the year.

Hanna Gronkiewicz Waltz: cordial relations

Mostar tension 'threat to peace'

By Laura Silber in Belgrade

The EU administrator of Mostar yesterday warned that failure to unite Moslems and Croats in the shattered Bosnian city would jeopardise peace in Bosnia.

Mr Hans Koschnick told Reuters news agency: "If Mostar is not a united city, there will be no federation. Europe should be aware that, with the collapse of the federation, there will be a completely different situation."

Armoured cars from the Spanish contingent of the 60,000-strong Nato-led Implementation Force (Ifor) yesterday patrolled Mostar as tension continued after the shooting of a Moslem youth on New Year's day and a Croat policeman on Saturday. Croats and Moslems exchanged sniper and grenade fire on Saturday night.

Renewed clashes in Mostar would make a mockery of international plans to recreate a unified Bosnia, said Mr Koschnick. He would not allow Mostar to be a Balkan Berlin, split into hostile zones like the German city during the cold war. If the two communities refused to co-operate, "we should pack up, take our money and leave".

Mostar, in south-western Bosnia, has come to symbolise the festering enmity between the Moslems and Croats, nominal allies in a Bosnian federation brokered by Washington in February 1994 to end their year-long war.

Under the Dayton agreement, the federation and Republika Srpska, the Serb entity, make up the new Bosnian state. Ifor is currently being deployed throughout the war-torn country to cement the accord which rests on the Moslem-Croat alliance.

Bosnian Croats, like their Serb counterparts, declared their own ethnic statelet soon after the outbreak of war in April 1992. Last week the mayor of the Croat-held part of Mostar said Croats wanted the city as their own capital.

Ifor troops in Bosnia have come under fire five times in four days and will not hesitate to shoot back, Nato said yesterday. Two bullet holes were found in a French Falcon 50 aircraft after landing at the Sarajevo airport.

Close air support was called in over northern Bosnia in a show of force in two separate incidents – one involving Bosnian Serb forces and the other Moslem or Croat, Nato said.

Meanwhile, Sarajevo is due next month to be re-unified under Bosnian government control. Bosnian Serbs yesterday launched a campaign to evacuate children living in parts of Sarajevo due to be handed over to the Moslem-led Bosnian government as Mr Radovan Karadzic, the Bosnian Serb leader, pledged to fight by "political means" to keep the areas.

In his first public appearance in three weeks, Mr Karadzic delivered a televised message for the Orthodox Christmas: "A sovereign and recognised Republika Srpska has been created. It is not as big as it should be, but it is big enough to accept all Serbs west of the Drina river," in reference to the river separating Bosnia from Serbia proper.

Indicted for war crimes by an international tribunal, under the Dayton accord, Mr Karadzic cannot hold office or stand in elections due to be held within nine months.

EUROPEAN NEWS DIGEST

Rome accused on phone costs

Italian unions, consumer associations and politicians are calling on the government to withdraw or rethink changes to telephone tariffs which will increase the cost of many local calls. Ministers signed decrees on Friday which will increase local call charges at peak daytime hours, and raise the domestic and business subscription paid to Telecom Italia, the state-controlled telephone company.

Unions have accused the government of going back on a commitment not to increase public service tariffs, and warned that the changes may fuel inflation. The government argues that the increases will be more than offset by the extension of the off-peak period and the reduction of long-distance and some international call charges. Telecom Italia claimed the net result would be a L380bn ($239m) reduction in annual income from subscriptions and tariffs.

Italy is the latest European government to feel the wrath of consumers and unions in its attempt to "rebalance" tariffs, bringing consumer charges into line with costs, and improve the state telephone company's ability to compete with EU operators. On Friday, Germany's post and telecommunications ministry suggested Deutsche Telekom review the figures on which its tariff changes were based, in an effort to end a row over rises in local call charges. *Andrew Hill, Milan*

Santer confident on Emu

Mr Jacques Santer, European Commission president, said yesterday he expected up to nine of the European Union's 15 members to qualify to start up a single EU currency on schedule in 1999. "I am confident, at least according to our forecast at this moment, that seven to nine members will fulfil the criteria," he said on German television. "I am confident that we can meet the deadline. We must meet it."

EU leaders have made it clear that economic and monetary union will not take place unless it includes both Germany and France – which is struggling to meet the tough economic criteria for countries joining Emu. But Mr Santer reaffirmed there could be no relaxation of the criteria – a position strongly advocated among others by Bonn, which wants to ensure that a single currency is no weaker than the D-Mark.

"There will be no softening of the convergence criteria while I'm around," Mr Santer said. *Reuter, Bonn*

Sogemin 'surprise' over writ

Sogemin, the London Metal Exchange trading company owned by Union Minière, the Belgian metals group, yesterday said the legal action started against it last week by Chile Copper Corporation (Codelco), alleging conspiracy to defraud Codelco, had come as a surprise.

The writ provided no evidence of how Sogemin was implicated in the improprieties alleged, it added.

Nevertheless, Sogemin said, it was conducting a full internal investigation into the matter. The company also made it clear the writ did not refer to the $170m Codelco lost through speculative trading in the LME's copper market between 1990 and 1993. Codelco said last week it was trying to recover only excessive commissions and other improper payments made during those years, plus interest and damages.

Sogemin yesterday pointed out it owned had its own office for brokerage in Chile but "certain aspects" of its business in the country were conducted via a local company appointed for this purpose as this was required by the Chilean government.

Codelco's lawyers indicated last week the group expected to start other action against metals brokers in London and New York. Mr Juan Pablo Davila, the trader responsible for Codelco's losses, dealt with 22 other LME brokers as well as Sogemin. *Ken Gooding, Mining Correspondent*

Aznar holds opinion poll lead

Spain's conservative Popular party has a nine-point lead over the governing Socialist party, and opposition leader Mr José María Aznar is likely to be close to an overall majority when general elections are held on March 3, according to an opinion poll published yesterday. Mr Aznar opened a 10-point lead over Mr Felipe González, the prime minister, in the European elections of June 1994 and the gap between the two parties has remained virtually unchanged in opinion polls.

The latest poll, published by the Madrid daily El Mundo, gave the Popular party 40.3 per cent of the vote and Mr González's Socialist party 31.2 per cent. According to the poll, the conservative opposition could return between 165 and 178 members to the 350-member parliament, up from the 141 seats it won in general elections in June 1993. The Socialist party, which has been in power since 1982, could have its current parliamentary tally reduced from 159 seats to between 115 and 120. *Tom Burns, Madrid*

Chechnya separatists 'killed'

Russian troops in Chechnya said they had killed 27 separatist fighters and destroyed an arms depot in the breakaway region over the weekend, Interfax news agency reported. The military command refused to say exactly how or where the separatists died but said there were no Russian casualties.

On Saturday, Mr Pavel Grachev, Russian defence minister, predicted an upsurge in fighting between federal troops and separatists in Chechnya, but said peace talks should continue. He said the separatists loyal to Chechen leader Dzhokhar Dudayev had used a relative lull during peace talks in the Chechen capital of Grozny to "prepare their weapons and recruit mercenaries". Russian forces regained control of Gudermes, 30km east of Grozny, on December 25 after some of the worst fighting seen since a June ceasefire. Refugees fleeing Gudermes, Chechnya's second biggest town, spoke of hundreds of civilians killed. *AFP, Moscow*

Abkhazia attack condemned

Mr Eduard Shevardnadze, Georgian leader, yesterday condemned the killing of eight Georgians in separatist Abkhazia and said the action was intended to disrupt the peace process in the Black Sea province. A Georgian security ministry spokesman said Abkhazian fighters killed eight people, including an entire family of six, in the province's Gali region on Friday.

Mr Shevardnadze said in a statement that the killings were aimed at hampering the peace process. Georgia has insisted that Abkhazia is part of its territory; rebel fighters captured the regional capital Sukhumi and forced out Georgian troops in September 1993.

Russia, which is trying to mediate in the three-year conflict, has a 3,000-strong peacekeeping force close to the border between the province and Georgia proper. Figures from both sides say more than 7,000 people have been killed in the conflict and more than 200,000 ethnic Georgians, half the province's population, have been forced to flee. *Reuter, Tbilisi*

Blasts in Corsica continue

A bomb blast, claimed by Corsican separatists, caused serious damage to a government building yesterday, but no casualties. There have been an estimated 20 such attacks in the past few weeks on the French Mediterranean island. The latest blast damaged the ground floor of an educational administration building in Bastia, northern Corsica.

The attack came as Mr Jean-Louis Debré, French interior minister, prepares to visit the island this month in an attempt to end the unrest. *AFP, Corsica*

Swiss expel Russian diplomat

Switzerland has expelled a Russian diplomat from Moscow's mission at the United Nations in Geneva for "illegal espionage activities", the federal justice and police ministry said yesterday. The diplomat, who was not named, returned to Russia on December 21, the ministry said. The weekly newspaper SonntagsBlick said 44 spying cases were uncovered by Swiss authorities between 1984 and 1994, including 12 cases of espionage for the former Soviet Union. *Reuter, Zurich*

Japan's coalition sets out agenda

By William Dawkins in Tokyo and Our Foreign Staff

Japan's three ruling coalition parties yesterday agreed an accord which includes the new government's policy manifesto.

The agreement, reached by the coalition of the Liberal Democratic party, Socialists and the left-leaning New Harbinger party, paves the way for LDP leader Ryutaro Hashimoto to take over the reins of government from the outgoing prime minister, Mr Tomiichi Murayama, who announced his resignation on Friday.

Yesterday's pact was made possible by compromises by the LDP, which agreed to delay a general election for six months in order to win the loyalty of its coalition partners.

The agreement also includes a promise, in deference to the pacifist wing of the SDP, to push for a review of US forces on the southern island of Okinawa, a slight concession from

The Asahi Shimbun newspaper announces the 'Birth of the Hashimoto Administration' at the weekend

the LDP's traditionally pro-US military stance.

Coalition officials yesterday said the tripartite agreement covered such areas as reform of the United Nations, the Diet (parliament), politics, administration and education as well as Japan's pledge not to become a military power again.

Also agreed were the lifting of curbs on holding companies to promote entrepreneurship, and a reduction of the current account surplus to 1 per cent of gross domestic product from the 1995 level of 2.1 per cent.

On foreign policy, the coalition accord calls for reassessment of US ties, already on the agenda for discussion when US President Bill Clinton visits Tokyo in April, as well as development of diplomacy towards other Asian nations.

Under yesterday's agreement the coalition also aims to:

- streamline Japan's military forces and raise efficiency
- bearing in mind the opinions of Japan's Asian neighbours and of domestic opinion, practise caution in promoting moves to win a permanent seat on the UN Security Council;
- ensure financial institutions take full disclosure steps. Try to recover debts from ailing private mortgage companies, or jusen, and clarify the responsibilities on the issue;
- take quick steps to review the financial structure built around the finance ministry, and to create a fresh financial system with greater transparency. The coalition will try to ensure a system to deal quickly with financial institutions in danger of bankruptcy;
- aid victims of acts of terrorism by the doomsday cult Aum Shinri Kyo and study ties between politics and religion;
- promote steps to normalise Japan's ties with North Korea;
- promote streamlining and reduction of US bases in Okinawa without jeopardising security ties with the US.

Kyodo reports: A car driven by a lance corporal from the US Marine Corps in Okinawa was involved in an accident that led to the deaths of a woman and her two daughters yesterday. The incident follows public outcry over the presence of US forces following the charging of three soldiers over the rape of a schoolgirl.

Editorial Comment, Page 19

Tokyo may seek Airbus design review

By Michiyo Nakamoto in Tokyo and Michael Cassell in London

Japan's Ministry of Transport is expected to request a review of the design of the Airbus A300-600, following an investigation into a 1994 China Airlines crash in which 264 people died, according to the Japanese national daily, the Yomiuri Shimbun.

The unprecedented warning by the Japanese authorities is said to be based on a report by a special commission of the ministry, which, the Japanese newspaper reported, had found that the high technology command safety system of the Airbus A300-600 contributed to the crash in Nagoya.

According to the Yomiuri, the commission concludes that the aircraft's pilot unintentionally switched on the aircraft's go-around lever, which causes the aircraft to ascend and re-attempt landing.

The pilot was unable to disengage the go-around function, which was causing the aircraft to ascend, and tried to land instead. As a result, the aircraft's computer received conflicting commands, leading to a situation in which it lost speed and crashed, the commission has concluded, according to the Yomiuri.

The commission notes that the safety system which prevents the aircraft from losing speed went into full effect when the aircraft was ascending, aggravating the situation which led to the crash. It will add, the Yomiuri reported, that the go-around lever is in a position where it can easily be activated accidentally.

An Airbus spokesman said that following an investigation into the crash by the US National Transport Safety Board, modifications had been made to the A300-600 command safety system, reducing the height below which a pilot could override the go-around system. He said it would consider any new recommendations to enhance safety.

ASIA-PACIFIC NEWS DIGEST

Rao reaffirms April election

Mr P.V. Narasimha Rao, India's Congress party prime minister, said at the weekend he would "definitely" take the country to the polls in April, though a final date remained to be fixed. Mr Rao's remarks, later confirmed by government officials, is the firmest suggestion of an election date so far.

Final dates must be confirmed after further consultation between Mr Rao and India's independent election commission. Mr T.N. Seshan, India's controversial and outspoken chief election commissioner, was non-committal in comments to the Economic Times at the weekend, saying that they "had to take several factors into account before finalising the dates".

Mr Rao had widely been expected to keep the poll date as close as possible to the formal expiry of his government's five-year term in June and has often hinted at an April date. The elections would be to the 545-seat Lok Sabha.

Mr Rao, speaking to Indian reporters after a visit to the central state of Madhya Pradesh, said it was "possible" his government would hold a further session of parliament before the general elections. *Mark Nicholson, New Delhi*

Dabhol verdict delayed

The Indian state of Maharashtra failed at the weekend to deliver its expected verdict on the $2.8bn Dabhol power project, despite discussing the renegotiated deal for two hours on Saturday. Mr Manohar Joshi, the state's chief minister, said discussion on the project, India's biggest and most controversial foreign investment, had been adjourned. The cabinet may meet to continue talks today. The project has been in abeyance since its cancellation in August. A renegotiated form of the deal was agreed between Enron, the US energy group leading the project, and a team from the Hindu nationalist state government. State ministers were quoted last week as saying that this renegotiated deal had been in principle approved and awaited only a formal announcement. *Mark Nicholson*

Taiwan trade surplus tops $8bn

Taiwan recorded a trade surplus of US$8.11bn in 1995, a rise of 17.2 per cent from a year earlier and the first rise since 1991, newspapers reported at the weekend. The government is expected to release official figures today.

Total two-way trade reached a new high of $215.26bn last year, up 20.6 per cent from 1994, the Commercial Times said. Exports climbed to $111.69bn and imports were $103.5bn, representing increases of 20 and 21.4 per cent respectively, the paper said.

The amount was 5.4 per cent more than the $7.7bn the country earned in 1994, the report said, attributing the growth to a steady increase in exports. *Laura Tyson, Taipei*

Afghan peace talks move

The Afghan government yesterday said it would send a delegation for its first peace talks with the opposition Taleban movement, but blamed the Islamic militia for a new rocket attack on Kabul that it said killed four people.

President Burhanuddin Rabbani's government will send the delegation to the Taleban headquarters in the southern town of Kandahar, his spokesman said. No firm date had been set for the talks, which are expected to discuss ways of ending fighting between the two sides.

Last week, Taleban agreed in principle to the idea of receiving a government delegation, although it has yet to respond to this particular proposal. *Reuter, Kabul*

INTERNATIONAL PRESS REVIEW

Three unelected governments in a row

JAPAN

By Michiyo Nakamoto

The Japanese public has become inured to domestic political surprises. Ever since the 38 unchallenged years of Liberal Democratic rule was broken in 1993, domestic politics, in the eyes of a numbed public, has come to resemble a circus in which the normally preposterous becomes mundane.

Last week's sudden decision by Mr Tomiichi Murayama to resign as prime minister heightened that perception. Predictably, his abrupt departure was greeted by the country's media with more cynicism than astonishment, let alone regret.

It was unsurprising that the Japanese media should be so unperturbed by Mr Murayama's resignation. For some time the press has been suggesting that it was time for him to step down. Now that he has, the press could only repeat their reasons for urging his replacement.

While acknowledging Mr Murayama's achievements, such as the government's settlement with the Minamata victims of mercury poisoning, the *Asahi Shimbun*, a left-leaning paper, was particularly critical of his failure to stand up for the policies his socialist party and of the successive compromises he has had to swallow as leader of a coalition government.

In a weekend editorial, the Asahi noted the irony in Mr Murayama's role as defender of a US-Japan security treaty which his Social Democratic party had long opposed. The paper was also critical of the lack of strong political leadership in tackling pressing issues such as structural reform and it repeated its contention that "the Murayama government has already served its purpose".

The *Nihon Keizai Shimbun* (Nikkei), a national daily with a focus on economic and business affairs, was equally disparaging.

Mr Murayama's departure was long overdue, the Nikkei said. As a flexible and practical person, he was suited to be the glue that held the coalition government together. But once it saw the country through the 50th anniversary of the war, the coalition's purpose became mainly to keep itself in power. When that happened, the Nikkei said, it lost the support of the people. "Having played its part, the life of the Murayama government had already come to an end."

But even more than Mr Murayama's lack of leadership and the political paralysis that characterised his government, the press kept its harshest comments for the increasing divorce of politics from the public.

Mr Murayama's resignation, and the three-party coalition's acceptance of Mr Ryutaro Hashimoto, the leader of the Liberal Democratic party, as his most probable successor, has intensified public disgust with the musical chairs played by various political parties in their attempt to stay in power.

"We find it highly objectionable and unacceptable that the new government... is to be determined through a kind of collusion between the three parties of the coalition," the Nikkei said.

Other publications echoed the view of the Asahi and the Nikkei that as Japan faces a time of economic difficulty and profound social change, the country needs stronger leadership than Mr Murayama has been able to provide.

A Lucky Bag... Ryutaro Hashimoto gets a welcome surprise from a traditional Japanese Lucky Bag – the resignation of Tomiichi Murayama. Asahi Shimbun.

The *Yomiuri Shimbun*, the most widely read national daily, said there was strong public criticism of the style of transfer of power within the coalition government.

Frustration with the coalition government has been building up in Japan ever since the sudden resignation of the former prime minister, Mr Morihiro Hosokawa, in early 1994. Mr Tsutomu Hata, who unexpectedly found himself prime minister as a result of Mr Hosokawa's untimely departure, left equally abruptly, leading to the prime ministership of Mr Murayama.

As the Asahi Shimbun noted in a Saturday column, if Mr Hashimoto becomes prime minister, the Japanese public will have been forced to accept three successive governments which have not been chosen through a general election. The handover of power within the coalition "has made fools of us citizens", added the *Mainichi Shimbun*.

Against this recent history of Japanese politics, what the press has emphasised is the importance of allowing the Japanese people to choose their own government in a general election.

"It is unacceptable for a government which has not received the judgment of the people to be allowed to continue any further," the Nikkei writes. The consensus is that by heightening dissatisfaction with the government, Mr Murayama's resignation promises to force an unexpectedly early election.

China silent on US visa for Li

China yesterday gave no response to the US decision to issue a transit visa to Mr Mr Li Yuan-zu, Taiwan's vice president, writes Laura Tyson in Taipei.

Although it is unlikely Beijing will react as sharply as it did to Taiwanese President Lee Teng-hui's visit to the US last year, the issue could renew sensitivities across the Taiwan Strait.

The US visa will allow Mr Li's aircraft to stop in Los Angeles on January 11 and 16 on his way to and from Guatemala, where he is to attend the inauguration of the central American country's new president on January 14. Mr Liv needs a US visa so his aircraft can be refuelled.

"There will be no public activity during the transits," a US state department spokeswoman said at the weekend.

China regards Taiwan as a rebel province in the hands of an illegitimate government and objects strenuously when countries with diplomatic ties with Beijing treat Taiwanese officials in what might be construed as an official capacity.

Beijing was enraged when the US permitted President Lee to make a private visit to the US in June to deliver a speech at Cornell University. The incident led to a serious deterioration in Sino-US relations, which have yet to recover. China interpreted Mr Lee's US trip as an attempt covertly to promote Taiwanese independence, which Beijing opposes.

China's foreign ministry spokesman, Mr Chen Jian, said on Thursday: "We ask the US side... not to do things that would harm the relations of the two countries or hurt the feelings of the Chinese people."

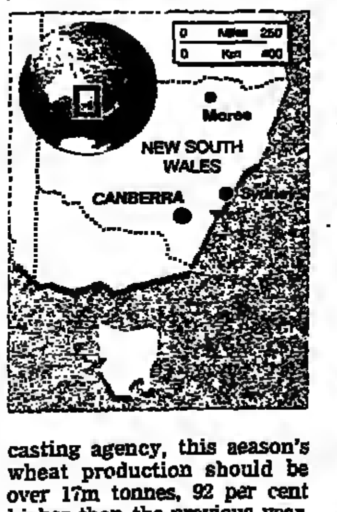
Wheat farmers ponder future

Nikki Tait finds price rises have come too late for some Australians

Mrs Penny Henley looks down over the 2,000 hectare property, just south of the New South Wales-Queensland border, which she and her husband have farmed for the past 20 years.

Along a nearby strip of road – about 25km in length – five families have sold up and moved out recently, she says.

Chris, her husband, whose family has been working Australia's land for a rare seven generations, puts the point even more starkly. "Twenty yeors ago. 140 families were delivering to the silo at North Star," he remembers. "Now there's about 12."



The couple, whose children are still at high school, reckon that they are the last of their generation continuing to farm in the area. "It's pretty disheartening," says Mrs Henley. "You lose teachers, services. You lose your community – and that's what you need."

What makes the comments surprising is that the Henleys – and most of their neighbours – are wheat farmers. By all accounts, they should be cracking open the bubbly, not worrying about their dissipating society.

In the face of an international supply crunch, world wheat prices have soared. World stocks are at the lowest for two decades, while the Australian Wheat Board's pool prices have been at record levels, with benchmark Australian Standard White wheat fetching A$235 a tonne.

Moreover the severe drought which beset the eastern seaboard throughout much of the 1990s started to break earlier this year. According to the Australian Bureau of Agriculture and Resource Economics, the government-owned forecasting agency, this season's wheat production should be over 17m tonnes, 92 per cent higher than the previous year. In New South Wales alone, production is expected to rise almost fivefold to 4m tonnes.

However, the Henleys' downbeat assessment is echoed by traders in nearby country towns. "It's been quite slow, and very patchy – nobody seems to have much spare this Christmas," says the proprietor of Habitat Interiors, a gift shop in tha market town of Goondiwindi, which straddles the NSW-Queensland border. Down the street, a sign on the public library door publicises the continued availability of rural assistance funds.

The reasons for this very muted response are threefold. First, most eastern grain-farmers are keenly aware of the extent of the damage done to the rural sector over the past decade. High interest rates, followed by low commodity prices and then four years of drought decimated farm incomes. Those who have attempted to expand or upgrade equipment invariably incurred high debts, while those who have waited now realise the scale of the re-equipment task ahead.

As Mr Glenn Dalton, director of grains at the NSW Farmers' Association, puts it: "We've just been through possibly the worst combination of conditions ever – interest rates, drought, plagues. Grain farmers hava had things extraordinarily difficult."

Second, even in the current year, the path back from drought conditions has been bumpy. Mr Henley remembers the weeks in September when his farm, and surrounding properties, were hit by a mouse plague which extended from southern Queensland into northern NSW.

Then, later, as he went to inspect the mice-baiting process, he noticed that the wheat was frozen. Northern NSW encountered the worst frosts ever recorded that late in the year.

It will take a number of good yaars before confidence returns. "You don't finish a drought with the first rains, and you don't finish an economic drought with the first good crop. We badly need a second crop," says Mr Dalton.

Ironically, though, this could increase the drift from the land which the Henleys are already reporting. "We know of people who would have sold, but there's been no market... and there's no point in dispossessing someona if you can't sell the holding," saya tha NSW Farmers' Association.

Asian buyers, meanwhile, may see this as a good purchasing opportunity. Last month, Chinatex, China's giant wool and cotton buying agency, was reported to have snapped up three large cotton-growing properties near Moree, covering over 4,000 ha, from a local farming family.

The third reason for the very cautious response to the surge in wheat prices is that many Australian broadacre farms are mixed businesses – combining wheat and sheep, say. While wheat prices have soared, wool prices have fallen sharply.

Higher grain prices, meanwhile, also dig into the margins of livestock producers, obliged to buy feed.

So while official government forecasts – keenly distrusted by most farmers – suggest that the "average" broadacre farm will register its first business profit since 1989/90 this year, the estimated surplus is only a token A$6,700 (US$5,000). The "average" woolgrower will almost certainly see his sixth year of loss. The surplus for an average grain farm, by contrast, is put at A$80,600.

Still, for all the wariness, there are grounds for optimism. Farmers acknowledged that the very low level of world grain stocks implies that several years of good prices are probably in view.

And, even in northern NSW, a few signs of buoyancy shine though. The Moree newspaper carries an opportunistic advertisement from a local investment firm: "Wheat harvest... where do I invest ?" it begins. One travel agent says business is becoming brisker.

But whether all that is enough to persuade the Henleys to persevere is a moot point. Like their neighbours, they are pondering the future, wondering whether the recent record of three good years in every 10 is much inducement. "We seem to have living on our wits for the past four years," says Mrs Henley, with infinite weariness. "Wa haven't had a holiday in so long..." adds her busband.

NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

Brazil buyer for failed bank

Brazil's Banco Excel, a fast growing bank from São Paulo, has reached an agreement in principle to acquire the failed Banco Econômico, which last year nearly collapsed and was taken over by the central bank.

Details of the transaction are still being worked out, but Banco Excel is likely to assume Econômico's branch network, clients and some of its liabilities. Econômico's branches are expected to re-open in a few months.

Econômico's biggest creditor, owed more than R$3.5bn (£2.3bn), is the central bank, which will sell Econômico's shareholdings in various industrial companies to make good part of the debt. But Mr Gustavo Loyola, central bank president, admitted his institution might not get all its money back.

Banco Excel would be required to inject around R$300m of capital into the new Banco Econômico to get it running again. Excel was founded in 1990. *Angus Foster, São Paulo*

Israeli cabinet agrees cuts

Israel's cabinet yesterday approved spending cuts of Shk1.3bn (£267m) one week after the 1996 budget took effect. But ministers were unable to agree on where the cuts would be made and a meeting will be held next week to decide. The cuts also need parliamentary approval.

On Saturday, the Treasury increased fuel prices by 15.1 per cent to raise an additional Shk750m. The measures are aimed at guaranteeing the government will meet its 1996 budget of Shk172.8bn and its deficit target of 2.5 per cent of gross domestic product. *Reuter, Tel Aviv*

Saudis and US to continue links

The US and Saudi Arabia yesterday said attacks such as the bombing in the Saudi capital in November would not halt their co-operation in building Gulf defences against Iraq and Iran.

Mr William Perry, US defence secretary, met Saudi Arabia's new government leader, Crown Prince Abdullah, at the end of a two-day visit, and expressed determination to continue military preparedness triggered by the 1991 Gulf war.

King Fahd, who suffered a stroke in November, turned the government over to his younger brother last week. Mr Perry gave Prince Abdullah a letter from President Bill Clinton to King Fahd wishing him a speedy recovery and expressing Washington's faith in the prince.

It was Mr Perry's third visit to Saudi Arabia in 15 months, but the first since a car bomb killed seven people when it ripped through a building in Riyadh used by the US to train the Saudi National Guard. *Reuter, Riyadh*

Guatemalans go to polls

Guatemalans yesterday voted in presidential elections in a tight race which could mark the political comeback of a former military dictator.

The second round run-off pits right-wing businessman Mr Alvaro Arzu, who narrowly leads in opinion polls, against lawyer Mr Alfonso Portillo, candidate for the populist Guatemalan Republican Front (FRG).

But the election has turned into a barometer of support for Mr Portillo's political master, General Efrain Rios Montt, who was shut out of the race last year by a constitutional court decree banning former coup leaders from standing as president. Mr Portillo maintains he is no puppet of Mr Rios Montt. *Reuter, Guatemala City*

Snow fails to cool US budget wrangling

By Nancy Dunne in Washington

No sooner had Congress passed legislation to reopen the federal government than the skies deposited heavy snow on Washington, shutting down once again the monuments and federal agencies.

Whatever the prevailing weather conditions, the struggle between president Bill Clinton and the Republican Congress over budget priorities still rages. Although House Republicans seemed to bow to public pressure to reopen the federal government, the bill passed late on Friday sets January 26 as the new deadline for a deal to balance the US budget by 2002.

House Republicans are now pursuing a new strategy. In an effort to force the president to agree to eviscerate some programmes and shift others to the states, they have begun to fund only those programmes that they support.

With an eye on their falling ratings in the public opinion polls, Republicans have ensured that the most visible programmes will stay. The Statue of Liberty and national parks will be open. Veterans and pensioners will get their monthly cheques and the elderly will get their meals delivered.

Programmes for the poor - legal assistance for example - are likely to fare less well. It is an election year, and the poor do not vote.

As additional leverage, House Republicans will refuse to raise the debt limit unless the president agrees to their conditions. Mr Robert Rubin, the treasury secretary, yesterday said be had only found enough funds to keep the government going without new borrowing until the middle of February, although he is looking for other solutions.

The deal to reopen the government for three weeks came after the president complied with House demands that he submit yet another plan to balance the budget over seven years using "real" numbers produced by the Congressional Budget Office (CBO).

This is Mr Clinton's fifth plan in a year and in it he adopted most of the proposals presented earlier by Senate Democrats. The plan cuts taxes by $87bn (£56.4bn) over seven years, much less than the $245bn the Republicans want, and it cuts medical care for the elderly by $102bn, compared to a $225bn reduction proposed by Republicans.

Budget 5 seeks to protect Mr Clinton's priorities: health care for the poor and elderly, low income tax cuts, education and environment. The president has also indicated support for some form of a capital gains tax.

CBO director, Ms June O'Neill, in a letter to Mr Newt Gingrich, House speaker, said the new Clinton budget would have a surplus of $1bn in 2002, certifying it as acceptable.

A White House statement said the president's plan "clearly shows" that the budget could be balanced in seven years using congressional budget office estimates without the deep cuts in Medicare, Medicaid, education and the environment that Republicans are seeking.

The statement also noted that the "huge tax cut for the wealthy" promised by Republicans was unnecessary.

Initially, Republicans said that Mr Clinton was adopting as his own a plan proposed by Mr Tom Daschle of South Dakota, the Senate Democratic leader. There are, however, significant differences.

A deal is in sight, but the question is how far the president will be pushed. With every successive plan, he has moved closer to Republican demands.

Republicans responded by denouncing his latest plan as "the same old tax and spend liberal Democratic approach". As much as the Republicans deny it, it is politics as usual in Washington. All of the budgets put the really painful cuts far off in the future - two presidential and three house elections away.

THE NEW CLINTON BALANCED BUDGET PLAN

(Republican proposals in brackets)	$bn	
Tax cuts	87	(245)
Cuts in defence and non-defence discretionary spending	295	(383)
Medicare cuts	102	(200)
Medicaid cuts	52	(117)
Reductions in Welfare, including Earned Income Tax Credit	48	(82)
Curtailing "corporate welfare" tax breaks	60	(18)

All figures are over seven years - the Clinton plan includes a possible dividend in the last three years. If the nation does better than Congressional Budget Office forecasts, tax cuts would be increased to $147bn, discretionary spending would be $65bn higher and there would be a $28bn budget surplus in 2002.

Independents can vent voters' anger

Palestinian polls will test extent of discontent with Arafat, says **Julian Ozanne**

As Palestinians prepare to vote in their first national elections on January 20 a predominant issue is the electorate's view of Mr Yasser Arafat's governing style.

The elections, well prepared to avoid potential manipulation, will bestow a degree of democratic legitimacy on Mr Arafat and mark the irreversible nature of the Israeli-Palestinian peace process. However, they will also test the extent of discontent with the Palestine Liberation Organisation's leadership style.

The boycott by Palestinian Islamic and secular groups opposed to the peace accords has stripped the elections of clear ideological fault lines. There are no real opposition parties contesting the polls and almost all the 676 candidates competing for seats in an 88-member legislative council broadly support the peace process.

Only in the separate ballot for president of the council, where Mr Arafat is opposed by Mrs Samiha al-Khalil, a maverick independent opposed to the peace process, will voters be given a clear choice. However, Mr Arafat's status as the symbol of Palestinian nationalism is so solid among ordinary Palestinians as to make his landslide victory assured.

More important political issues are focused on the elections for council members in the 16 multi-member constituencies across the West Bank and Gaza Strip. In the absence of opposition candidates, the only real choice voters have is to vote for independent candidates standing against the overwhelmingly dominant Fatah faction led by Mr Arafat.

Mr Arafat has made extensive efforts to manipulate the list of candidates put forward by Fatah. He has overturned rudimentary internal primaries held by Fatah and appointed his own people to the lists. He has also sought to maintain Fatah as a broad church and has included members of other Palestinian factions on Fatah lists.

The extent to which Palestinians back Mr Arafat's lists will, to some degree, test his hold on the Palestinian electorate.

Inside Fatah Mr Arafat's activities have provoked fierce criticism. Many of those dropped from the lists are young foot soldiers of the Palestinian *intifada*, or uprising, who paid for their political activity with long stints in Israeli jails. They have been replaced, in part, by more old-guard political figures and technocrats Mr Arafat wants to see in his *de facto* parliament.

Many of those dropped have refused to accept Mr Arafat's authoritarian style and are standing as independents. In Nablus, for example, five Fatah activists are standing as an independent bloc.

One of them, Mr Husham Khadder, said: "Arafat wants yes men in parliament; he does not want the younger generation of the *intifada*, because they are more critical. In the election people have a choice - whether to accept Arafat's old ways of doing politics of vote for a change. If they vote for independent candidates who are critical of Arafat, it will mark a real change."

In the Ramallah electoral division the Fatah list drawn up by Mr Arafat includes two men who belong to other Palestinian factions, at the expense of Fatah activists. Mr Marwan Barghouti, the Fatah chief in the West Bank who heads the Fatah list in Ramallah, says he does not support Mr Arafat's list. He is urging voters to split their vote between the list and independents like Mr Faris Hamid Kadoura, a Fatah activist who spent 14 years in jail and whom Mr Arafat refused to include on the list.

"The people will not support a list, they will support individuals," he said. "People want to vote for people they trust who have a long history of resisting Israeli occupation and who sacrificed by going to prison."

Mr Barghouti, a former prisoner and deportee, said it was vital that the new generation of Palestinian political activist was rewarded and represented in order to begin the process of building new political institutions.

If Palestinians vote for the independent critics of Mr Arafat there is hope that a small nascent opposition will be formed in the council. Palestinian political analysts say that the electorate remains highly educated and politicised after 28 years of Israeli occupation and that ticket splitting in polls for student and professional bodies has been common.

A recent opinion poll found that 45 per cent believe personal qualifications to be the most important criteria for election. Only 20 per cent said political affiliation was important; 17.5 per cent highlighted religious affiliation and only 3 per cent said they would be swayed by family loyalty.

If the political scientists are right, a number of independent critics could be elected to the council. Some, like Mrs Hanan Ashrawi, standing for one of the reserved Christian seats in Jerusalem, will be elected because of their political history, their integrity, and their ability to stand up to Mr Arafat. Others, including many of the Fatah independents, will be elected because they represent the new generation.

Major defends Saudi expulsion

By John Kampfner and Roula Khalaf

Mr John Major, the UK prime minister, yesterday sought to ascribe a more ethical motive to his government's planned deportation of Mr Mohammed al-Massaari, a leading Saudi dissident.

Amid growing concern that arms deals lay behind last week's order to send Mr al-Massaari to the Caribbean island of Dominica, Mr Major said British foreign policy in the Gulf was contingent on the stability of the Saudi royal family.

Mr al-Massaari, head of the London-based Committee for the Defence of Legitimate Rights in Saudi Arabia, an Islamist group that accuses the Saudi government of corruption and anti-Islamic practices, said Britain was on its way to making itself the "Great Satan in the Kingdom".

"If Britain is seen to support such a regime, then the people will consider it their enemy and will demonise it, as happened between Iran and the US," he said. "The people will regard this as support for the oppressor and the tyrant. Peace will not be achieved this way."

But, in a BBC television interview, Mr Major said: "Mr al-Massaari is an illegal immigrant who has used his hospitality in this country to wage a campaign to try to bring down the Saudi Arabian regime.

"Saudi Arabia is critical to the stability of the Gulf. That is very important not just to this country. We have already had one Gulf war."

Mr Major added: "If [people] come here and abuse that position and seek to create an unsettled relationship with our allies then I don't believe we should tolerantly look to one side. We will look after people who's position is insecure and unsafe. Mr al-Massaari would not be sent back to anywhere he may be in danger."

Mr al-Massaari has claimed he is the likely victim of a kidnap or murder plot by the Saudi government.

The government has admitted it acted after pressure from both the ruling royal family and British defence companies to put a halt to Mr al-Massaari's outspoken campaign.

Saudi Arabia bought nearly £2.3bn-worth of British goods last year.

Of greatest importance is the al Yamamah government-to-government deal agreed in two stages in 1985 and 1988 and covering supplies of British arms, infrastructure, and defence services worth more than £2bn a year.

Grandmother vows to stand for democracy

By Julian Ozanne and Mark Dennis in Ramallah

Why would a 72-year-old grandmother launch a fruitless challenge to Mr Yasser Arafat for the Palestinian presidency? Although Mr Arafat is certain to win the first Palestinian election, Mrs Samiha al-Khalil is standing in order to make a democratic point.

"I am running to show that Arafat is neither God nor prophet," she said when announcing her candidacy last month.

Mrs al-Khalil has since retreated from such direct statements against Mr Arafat, preferring to call him "a good man who is very wrong about the peace process". She says her candidacy is "political, not personal".

The problem is that Mrs al-Khalil does not have much in the way of an alternative political programme. She is steadfastly against the Israeli-Palestinian peace accords negotiated by Mr Arafat and his team because, she says, the process will never lead to the long-held dream of Palestinians: an independent Palestinian state with Arab East Jerusalem as its capital.

She says Mr Arafat should have demanded that Israel immediately concede an independent Palestinian state with guaranteed borders. This is fine - except that almost all Palestinians know that Israel would have never agreed to such a demand.

The second problem is that although Mrs al-Khalil has set herself up as the democratic alternative, criticising Mr Arafat's authoritarianism, she does not practise what she preaches.

Since 1965 Mrs al-Khalil, a no-nonsense Palestinian matriarch, has been the self-appointed, unelected president of a well respected charitable society. "She is tough as nails, courageous but often inflexible, cantankerous and unwilling to listen to advice - a lot like Mr Arafat himself," says a close aide. "We hope this experience will encourage her to bold internal elections in the society."

Nevertheless, Mrs al-Khalil will attract votes from the many people she has touched with her charitable work.

She will also be supported as a political figure in her own right. She has been a long-serving member of the Palestine National Council - the Palestinian parliament in exile - and has spent several periods in Israeli jails.

However, she is largely unknown in parts of the West Bank and Gaza Strip and as a woman her candidacy will not go down well in traditional areas such as Hebron and Gaza South.

"If she gets 10 per cent of the vote it will be a real success," said Mr Mohammed Abu Zeid, the campaign manager. "But she will make an important contribution to Palestinian democracy. Without opposition there is no democracy."

Al-Khalil: fruitless challenge

Juries cut product liability awards

By Richard Waters in New York

US juries are awarding considerably smaller amounts to people who claim to have been harmed by defective products, with the $260,000 (£169,000) on average last year amounting to barely half the $500,000 average in 1993.

The figures, compiled from state courts around the country, appear to indicate that the US product liability tide is beginning to ebb. Long a cause of complaint among manufacturers, the area has attracted the attention of legislative reformers in many states, resulting in moves to limit the amounts that juries can award.

However, Jury Verdict Research, the company which collated the data, has also identified a new area in which legal awards against companies are rising sharply: disputes with employees.

The fall in jury awards in defective product cases has come about in part because of the decline in asbestos cases which had clogged US courts for many years, said Mr Brian Shenker of Jury Verdict Research. Most of these cases have now worked their way through the system.

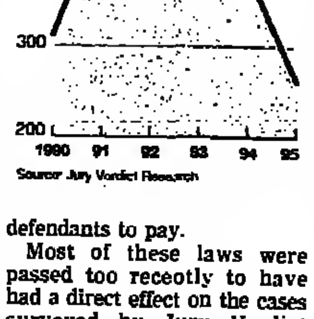
More significant, however, appears to be the push for tort reform - the area of law which covers medical malpractice, car accidents and product liability. Many US states, including Texas, whose juries have traditionally made some of the biggest awards, have passed laws to cap the amount that jurors can order corporate defendants to pay.

Most of these laws were passed too recently to have had a direct effect on the cases surveyed by Jury Verdict Research. However, jurors have been aware of the reform movement and the tide in public opinion that has turned against big awards, and so have tended to limit the amount they order defendants to pay, said Mr Shenker.

Disputes with employees, meanwhile, have led to far bigger awards against corporations. On average, people who brought successful cases for wrongful termination or constructive discharge were awarded $183,384 in 1994, 40 per cent more than in 1993.

The increase seems to indicate that more older, male executives are getting into legal disputes with their employers. Awards for age discrimination remain the highest, at an average of $219,000 compared with $147,799 for racial discrimination.

Product liability in US



Source: Jury Verdict Research

Halt murders, PM tells Gerry Adams

By John Kampfner, Chief Political Correspondent

Mr John Major, the British prime minister, yesterday accused leaders of Northern Ireland's Sinn Féin party of directing recent murders by a group claiming to be fighting the drugs trada. Sinn Féin is the political wing of the Irish Republican Army.

Mr Major called on Mr Gerry Adams, president of Sinn Féin, and Mr Martin McGuinness, its chief negotiator, to stop the killings. The prime minister's remarks come days before the international body looking into the question of illegally beld weapons is due to present its report to the British and Irish governments.

The three-man commission, led by US Senator George Mitchell, a close adviser on Northern Ireland to President Bill Clinton, has been asked to judge the willingness of the IRA and its pro-British rivals to hand in some of their weapons ahead of all-party negotiations about the future of Northern Ireland.

Responsibility for the killings has been claimed by a group calling itself Direct Action Against Drugs. But British ministers and police chiefs in Northern Ireland say they are the work of the the IRA.

"These killings are centrally directed," Mr Major said in a BBC television interview. "I have not a shred of doubt about that." He noted how so-called "punishment beatings" – the use of violence by paramilitary organisations to punish members of their own community for alleged crimes – had "miraculously" stopped around the time of Mr Clinton's visit to Ireland a month ago. "Those people who stopped it before – and I think Sinn Féin and the IRA are both sides of the same coin – could stop it again," Mr Major said.

"I would say to Mr Adams and Mr McGuinness and the others: 'I believe yon can stop these killings and these beatings.'"

Mr David Trimble, leader of the Ulster Unionist party, said "the ceasefire is presently not in existence". Mr Trimble's party is the largest pro-British party in Northern Ireland, and one on which Mr Major will depend increasingly as his majority in the House of Commons dwindles. "Sinn Féin/IRA see what they believe is a weak prime minister, they see him in difficulty, so they are pushing him," Mr Trimble added.

He claimed that Mr Clinton's public statement to terrorists in Belfast, the capital of Northern Ireland, that "your day is over" had stung the IRA into the receot spate of killings. There had been "a deliberate decision of the leadership of Sinn Féin/IRA to resume the use of arma," Mr Trimble added.

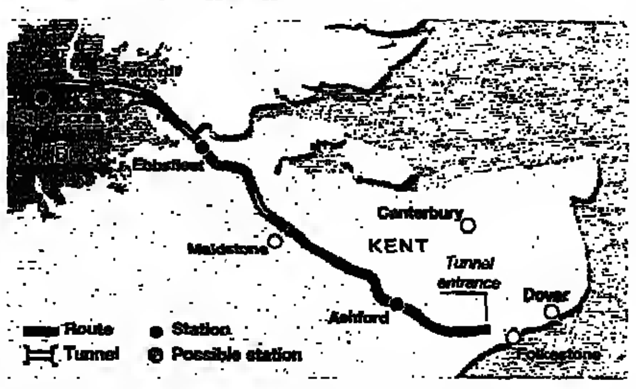
"This is not a group of people carrying out a crusade against drug dealers and drug barons," he said on Sky television. "It is an effort by the IRA to maintain control and to get money. They are very short of money. It is also a matter of saying to the government and to the Mitchell commission that 'we are not going to decommission'."

Consortium will build 110km line from London to Channel tunnel

Rail route winner to be named soon

By Charles Batchelor, Transport Correspondent

Channel tunnel link



The winning consortium bidding to build the £3bn ($4.6bn) rail link between London and the Channel tunnel to France will be named early next month. But the high-speed link is not expected to be finished before early 2003, six months later than previously planned.

Two consortia from the original four bidders are being considered. One is London & Continental Railways, which includes Mr Richard Branson's Virgin Group; Ove Arup, the design consultants; and Bechtel, a US project management group. The other is Eurorail, involving the construction companies BICC and Trafalgar House.

The 110km line will run from a new station at St Pancras in London to the Channel tunnel entranca and will cnt 30 minutes from journey times to Paris and Brussels. At the moment Eurostar trains from London to Paris and Brussels use existing tracks in south-east England and do not reach full speed until they are in France.

Construction work is expected to be straightforward, say construction industry executives close to the project. But passenger numbers on Eurostar trains have been only a third of those originally forecast. Passenger oumbers to Brussels have been particolarly disappointing.

Tha two remaining bidders submitted their final offers late last month and are now in the final stage of negotiations, construction industry executives said. "There is a lot of work to do in January and the pressure will be greatest on the Department of Transport to tie up loose ends," said one executive.

"Once tha winner is announced it will be in a strong position to demand concessions if there are any disputes before contracts are finally signed on April 1."

More than 100 contracts will have to be agreed with the winning bidder, including one which compensates state-owned train companies oow using St Pancras for any loss of ticket revenues if customers are forced to walk further along platforms to board trains because of construction work. The existing St Pancras station was built more than 100 years ago and is the London terminus for several cities in the English Midlands.

Meanwhile the committee of the House of Commons which has been hearing objections from local residents is expected to complete its hearings by the end of this month and report in February.

It still has to decide on the length of tunnel to be built in Islington in north London and on issues such as the amount of compensation to be paid to people affected by the line and on acceptable levels of noise.

After further scrutiny in parliament, the bill to allow building of the high-speed link is expected to become law early in 1997.

Ferry companies, fierce competitors of rail services through the Channel tunnel, are intensifying their battle to dominate the market for travel between Britain and France. A family of four can now take a car from an English port to France and back by ferry for less than £10 ($15.50). "It is cheaper to go to France than it is to travel on the London Underground," said one ferry company executive. The low prices result from the launch of two new separate services on the Dover-Calais route after the expiry at the end of last year of their previous pooling agreement. The newcomers are Stena Line and Sea France (formerly SNAT), an offshoot of SNCF, the French state-owned rail network. The new operations will lead to the addition of two ships.

90% of adults did what the bishop declined to do

By Michael Cassell and Gillian Tett in London

THE NATIONAL LOTTERY

Mr John Major, the prime minister, did not do it; neither did the Rt Rev. Simon Barringtoo-Ward, the Protestant bishop of Coventry. Mr Tim-Melville Ross, the director-general of the Institute of Directors did not do it either and says he has no intention ever of doing it.

But nine out of 10 adults did participate in Saturday's National Lottery draw – Britain's biggest single gambling event – to try and win a share of the record £42m ($64.7m) jackpot. While only three tickets will split the big prize oo fewer than 2,385,106 other tickets can today be exchanged for cash sums ranging from £10 upwards.

As Camelot, the consortium which organises the lottery, waited last night for the three big winners to identify themselves, the debate on the morality and the aconomic impact of a lottery which last week sold tickets worth £128m rumbled on. Mr Major called it a "huge success" and dismissed critics who said it encouraged greed. But the Bishop of Coventry said the lottery was "a corrupting influence" and called for its abolition.

The financial community was also weighing up the impact – including a record surge in cash withdrawals from building societies and banks. Link, the industry body which covers the cash dispensers in 10 banks and 18 building sociaties (mutually owned savings and loans institutions), said that withdrawals on Friday and Saturday totalled £55m – some £11m more than in the same period last year.

Mr Howard Aiken, Link's general manager, yesterday said: "The extraordinary leap in cash withdrawals over the last week seems to have been prompted by the record National Lottery rollover.

"The lottery has given a significant boost to cash payments which we predict will alone help contribute to over one billion extra cash transactions in the UK during 1996."

UK NEWS DIGEST

Labour warms to Singapore

Mr Tony Blair, leader of the opposition Labour party, said in Singapore yesterday that his party was studying the state's system of compulsory savings to see if Britain could learn from it to improve its own social security system. He said during a three-day private visit to Singapore, that Mr Chris Smith, his party's chief social security spokesman, would visit Singapore today and examine the state's Central Provident Fund (CPF) savings scheme.

"It is very much on our agenda io see how we can get the best out of our welfare state," said Mr Blair. "Our welfare stata at the moment isn't functioning in the way that it should. It is neither helping those who are the poorest nor is it giving people the encouragement and incentive they need to get back into work." The CPF scheme obliges workers to save 20 per cent of their income for pensions, medical care and insurance and then makes employers match the contribution. The savings provide a flow of long-term money for state spending on infrastructure. Singapore joined the Organisation for Ecouomic Co-operation and Development last week.

Reuter, Singapore

Call to dilute labour laws

The government should pledge to repeal laws on redundancy compensation and unfair dismissal as part of its drive to make Britain the enterprise centre of Europe, says a rightwing think-tank. Mr Warwick Lightfoot, a former special adviser to the Treasury, argues in a pamphlet published by the group Politeia that European Union directives should not be allowed to stand in the way of a more liberalised labour market.

Politeia was launched at Westminster late last year under the patronage of Viscount Cranborne, the leader of the Conservative group in the House of Lords, the unelected upper house of parliament; and Lord Parkinson, a former chairman of the party who was a senior minister in the governments led by Mrs Margaret Thatcher in the 1980s.

"The existing regulations, though lighter than they were, still distort employers' decisions, reduce economic activity and raise unemployment," says Mr Lightfoot. He argues that freedom of cootract must be at heart of future relations between employer and employee. "The piecemeal changes to legislation made over the last 15 years are not enough," he writes. "It is time now to remove the over-arching framework of employmeot protectioo legislatioo on redundancy compensatioo and unfair dismissal."

John Kampfner, Westminster

Immigration campaign opens

TUC

The Trades Unioo Congress is trying to persuade left-leaning Conservative MPs to help delete the clause in the government's proposed asylum and immigration bill that will make employers criminally liable if they are found to have given a job to an illegal immigrant. The TUC says many Conservative MPs are known to disapprove of the proposals put forward by Mr Michael Howard, home secretary. The bill will tighten restrictions on asylum seekers while toughening penalties on illegal immigrants. It has been widely criticised by business and labour groupings on the grounds that it will exacerbate racism while putting an unnecessary burden on employers.

Mark Suzman, Public Policy Staff

Tonne of cannabis seized

Four men were arrested in the English Midlands city of Birmingham after more than 1 tonne of cannabis was found in an industrial unit in the suburbs. Detective Superintendent Mick Williams, head of the local drugs squad, said they had dealt drug dealers "a very severe blow". Enough of the drug had been found to supply more than 1m individual sales on the streets.

● A 17-year-old youth was recovering in a hospital in Stornoway, the biggest town in Scotland's Western Isles, after being in a coma for 13 hours as a result of drug abuse. He was taken to hospital after his mother, a nurse, found him having convulsions in his bedroom. The drug was not named. A 15-year-old spent 24 hours in a coma in Stornoway in November after consuming a mixture of ecstasy and paracetamol.

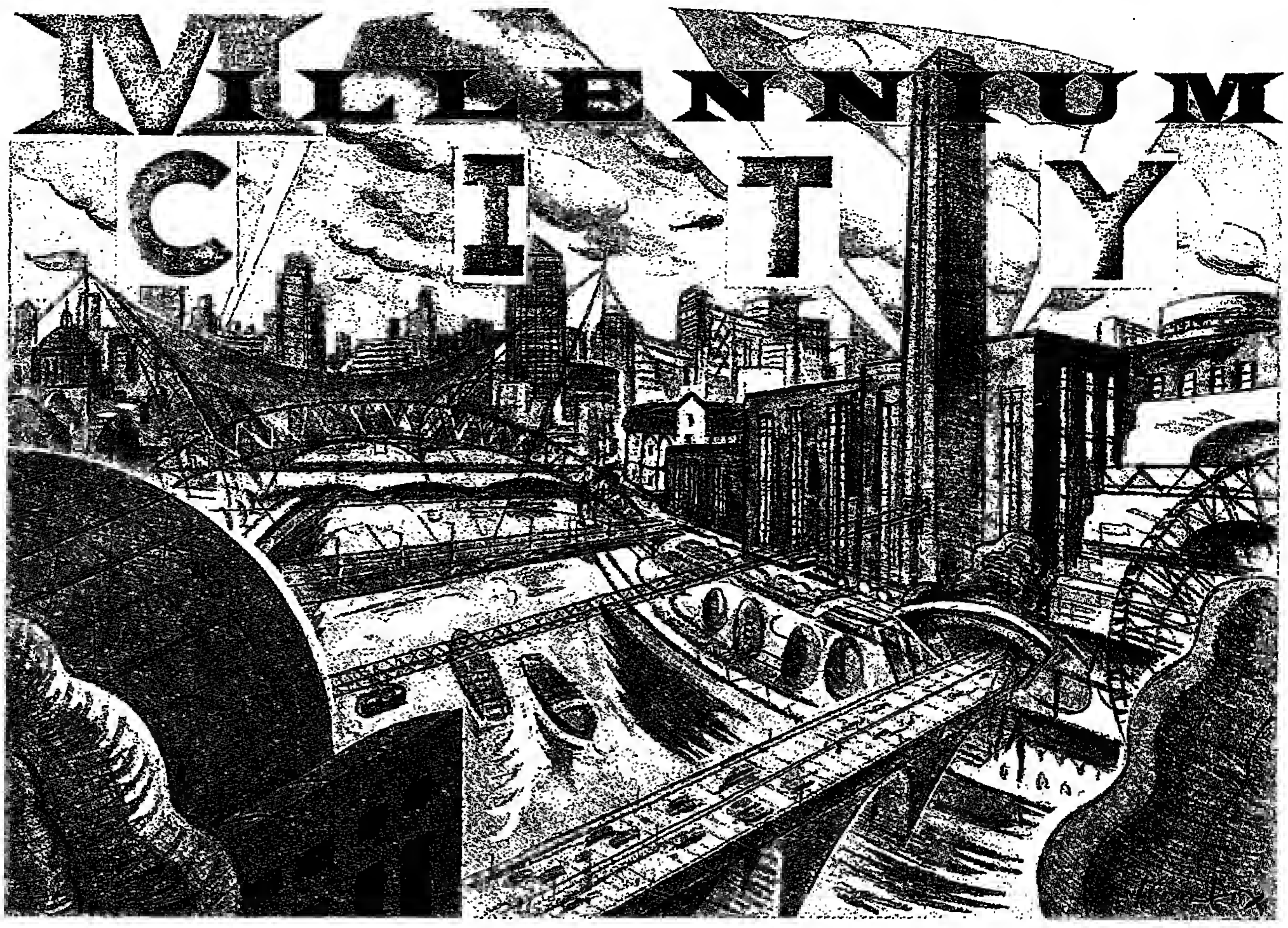
PA News

Landmarks for sale: Two of the best-known and remotest landmarks in Britain will go on sale today at a combined price of £5.5m ($8.47m). Land's End on the south-west tip of England and John O'Groats more than 1,200km away on the far north of the Scottish mainland are owned by Gulf Resources Pacific of New Zealand.

The revitalisation of SOUTH LONDON

Councils rise to economic challenges

Andrew Adonis examines initiatives to make Southwark, Lambeth, Lewisham and Greenwich more prosperous



London's "north/south divide" may be greatly exaggerated. As this summer's controversy over the future of the Royal Naval College at Greenwich demonstrated, some of the capital's most splendid public buildings and parks are south of the Thames.

The five inner-south boroughs of Lambeth, Wandsworth, Southwark, Lewisham and Greenwich face serious social pressures, but so too do the boroughs to their north.

Judged by objective yardsticks, the essential contrast is between inner and outer London, not north and south. This year's national education league tables put 12 of the 16 inner London boroughs among the bottom 20 of England's 108 education authorities rated by GCSE exam results. All but one of those 12 were also among the top 20 for their proportion of pupils receiving free school meals – a fair indication of social deprivation.

Yet the River Thames *is* a dividing line, in mind as much as in fact. Even the gems on the south feel their lustre tarnished by their location. The South Bank complex is endlessly scheming to improve its links with the north – one of the latest ideas is for a cable car linking it to Covent Garden. Great hopes rest on the extension to the Jubilee Line, which will include tube stops in Southwark, Bermondsey and Greenwich.

The Underground map, one of London's most powerful images, sums up the south's second-class status. The River Thames appears virtually as the city's southern border, with the brightly coloured tube lines making only a handful of – mostly short – forays beyond it. The so-called "central" line goes no further south than the City, while the "circle" line never crosses the river. To add insult to injury, the only tube route with a substantial southern stretch is called the "northern line".

Elevating the Thames to be a serious cultural focus for London is of critical importance to those seeking to bridge the "London divide". As Sir Richard Rogers, the architect, puts it: "The Thames has the potential to be a great unifier – our ambition should be to turn the Thames into a great silver park for London."

There are plenty of profile-raising plans around. A series of public debates on "London in the 21st century", organised by Sir Richard, will take place in the coming months. Speakers include Mr Tony Blair, the Labour leader, and Mr John Gummer, the environment secretary.

Greenwich has launched its bid – one of four nationally – to host the Millennium Exhibition, intended to usher in the new century. In November it unveiled a plan that includes 2,000-seater launches to ferry visitors along the Thames from car parks with a capacity of 6,000 vehicles.

More immediately, a host of initiatives is in progress, or under discussion, to promote the part of the southern bank of the Thames covered by the four boroughs in this survey. Among cultural projects, is the Tate's new extension. This will be at Bankside Power Station, almost next door to the reconstructed Globe theatre.

Last May, four of London's inner city local authorities – the Corporation of London, and the boroughs of Southwark, Westminster and Lambeth – launched the Cross River Partnership to raise the profile of Thames regeneration. Shortly after, Mr Gummer published a consultant's report identifying new focal points for development along the river.

However, there can be no pretence that raising the profile of the Thames over the medium term will lead to much early or dramatic improvement in the environment for most of the people living in inner-south London.

The four boroughs covered by this survey – Lambeth, Lewisham, Greenwich and Southwark – embrace some 940,000 residents. Together, their population is almost as large as that of the entire county of Hertfordshire, which boasts 10 local authorities.

One fact highlights the social and economic challenge facing the four boroughs. They comprise 165,000 council-owned homes, making about one in two of the boroughs' residents a council tenant. That is nearly three times the national average. In and beyond the council housing estates comes the gamut of inner-city social problems: drugs, crime, benefit dependency, poor school performance, and so on.

Nor, alas, are serious street disturbances a thing of the past. Last month saw riots return to Brixton after the death in custody of a black youth. Damage to 50 business premises cost an estimated £1m.

Acute deprivation exists alongside extreme affluence. Nowhere is this more visible than in the school system. In Greenwich, Lambeth and Southwark between 10 per cent and 15 per cent of pupils last year left school with no qualifications at all.

Yet the area supports a flourishing private school sector. In Dulwich College it has one of the nation's foremost private schools. Last year, the college received £1.38m from the assisted places scheme to subsidise the fees of poor parents – more than any other school in the country.

Encouragingly, most of the area's politicians, voluntary groups and business leaders now recognise the need for public/private partnership to pioneer regeneration. Even among Labour councillors, there is little attempt to disguise the scale of the task, or to pretend that central and local government can tackle it unaided, let alone in a state of mutual hostility.

Southwark council's latest handbook is typical. "Teamwork" is emblazoned across a piece of figurative jigsaw on the front cover. The council's recent strategic review reads like the blueprint for a corporate re-engineering project, with four sections entitled

> Most people now recognise the need for partnerships with the private sector

"forces for future change", "strategic management processes", "organisational options" and "transitional management implications".

The first is uncompromising in its analysis. "Arrangements for public governance are changing dramatically," it declares, "as relationships between individuals and the state and the public and private sectors are being redefined."

This is a significant change. Lambeth was the only one of the four boroughs to come under the undisputed control of the hard left in the 1980s. Yet "a mentality of embattled opposition", as one of the local Labour council leaders puts it, pervaded all four until recent years.

Mr Tony Travers, director of the Greater London Group at the London School of Economics, says: "Lambeth is a special case, and it is still too early to be sure that it has turned the corner. The others – particularly Lewisham and Southwark – are coming to be seen as the high-water mark of Blair managerialism."

Few would question his judgment about Lambeth. A damning report earlier this year by an independent inquiry described the borough as "in an appalling mess", with "vast amounts of money wasted" and the provision of local services "severely prejudiced". It advised the new chief executive and councillors – Labour lost its majority in the last borough elections and no party now has overall control – "to proceed on the basis that mismanagement is to be found in each and every directorate."

Ms Heather Rabbatts, the new chief executive, insists that an effective start has been made in reforming administration. But the work is likely to take several years.

A host of urban regeneration initiatives, public and private, is highlighted in this survey. Partnership is the dominating theme. To a large extent, this is a product of the new political climate. But it has also been forced on the boroughs by national policy. In particular, the government's City Challenge and Single Regeneration Budget schemes tie Whitehall funding closely to partnerships with the voluntary and private sectors.

For example, Southwark last year won £60m under the Single Regeneration Budget to regenerate a particularly run-down part of Peckham. Yet investment secured by the Peckham Partnership will total £251m over the next seven years. The objective is to establish "desirable residential areas" and support a "stable and prosperous community".

In the renovation of Deptford town centre, Lewisham already boasts one of the more successful urban regeneration schemes of recent years. Millwall football club's new all-seater stadium is perhaps the most visible result. Attention is now moving to Lewisham and Catford.

Greenwich's efforts are centred on the Greenwich peninsula, a large area of wasteland facing Docklands that used to house gasworks.

There is a strong sense of optimism among those engaged in regeneration across the boroughs. But, as Mr Travers, remarks: "It's a bit like painting the Forth Bridge: it is often hard to know where to start, and there is certainly nowhere to finish."

■ **Transport:** by Charles Batchelor

New links, new image

Improved infrastructure will help connect the area with the wealth of the capital's centre

South London became the home of a conspicuous new icon of modern travel when Mr Nicholas Grimshaw's international railway terminal for Eurostar Channel tunnel trains opened at Waterloo in 1994.

But Waterloo International station handles passengers who, for the most part, are just passing through and serves only to highlight the paucity of transport provision for people living and working in the four boroughs.

Despite their closeness to the City, Westminster and the West End, the inner London boroughs south of the Thames are a world away in terms of prosperity and economic activity, in part because of a lack of good transport links.

Lewisham summed up the problems facing the area in its unitary development plan, intended to set a framework for planning over the next decade.

"Lewisham suffers because of its proximity to central London," it wrote in its draft plan. "Roads and railways are congested in the rush hours and local traffic is disrupted. During the morning peak, trains are already full when they arrive at stations in the borough.

"Road congestion affects emergency services, goods vehicles and bus services as well as the safety and convenience of pedestrians and cyclists. Both the environment and the health of local people are harmed by pollution caused by road traffic."

The main problem facing the boroughs is the limited number of Tube lines running south of the river. The centre of gravity of the London Underground network lies north of the Thames, with only the Northern Line penetrating very far south.

Proposals have been made to extend other Tube lines further south, though these have yet to become firm plans. The East London Line could go to Lewisham town centre and to Dulwich, the Bakerloo Line might also go into Lewisham while the Victoria Line could go to Streatham.

But the limited extent of the present Tube network leaves British Rail to provide commuter and leisure services. Although the BR network is fairly extensive its trains cannot compete with the Underground for frequency.

The difficulties of the south London boroughs have not been helped by the lack of an overall approach to transport planning in London following the abolition in 1986 of the Greater London Council. Central government's focus has been on revitalising the economy and the transport links of east London and Docklands – little attention has been paid to the south.

But this may be about to change. A series of studies carried out by the Confederation of British Industry, London Transport and London First, a public-private organisation that promotes the capital, has highlighted the need for London-wide planning.

Sir George Young, transport secretary, responded in November with an announcement that the government intends to publish plans for an integrated transport strategy for London in the spring.

In the meantime, a number of projects or proposed schemes have begun to improve mobility south of the river.

Work is progressing on the £1.9bn Jubilee Line extension that will link Westminster and the West End with Canary Wharf and the East End through Waterloo, Southwark, London Bridge and Bermondsey. The 10-mile long line, involving nearly eight miles of tunnel, is expected to open on time in March 1998, despite problems encountered with the tunnelling method employed.

The line, which runs just south of the Thames through the four boroughs, will increase the attractiveness of the area for both employers and new and existing residents. The extension will improve access to several tourist destinations including the South Bank arts complex, the Globe theatre, Southwark

Continued on page 4

■ **Regeneration:** by John Authers

Projects start to bear fruit

A guide to the development and investment schemes in each of the four boroughs

The focus of south London's urban regeneration attempts is well defined: it is the River Thames.

To the east, boroughs are joining with the Medway towns in Kent, and with south Essex local councils, to form the Thames Gateway, a plan to revitalise the whole Thames estuary that has heavy government backing. Their land stares at Canary Wharf and the other Docklands developments on the north bank of the river, and could benefit from the investment they have attracted.

To the west, the boroughs of Southwark and Lambeth are part of the Cross River Partnership, an attempt to regenerate the south bank of the Thames in central London, and create a livelier and more exciting hub for the city. The Partnership wants to link the two banks more closely – new bridges and cable cars are among the possibilities – and create new tourist centres, including a remodelled South Bank centre, a new Tate Gallery in a converted power station, and the restored Globe theatre.

All these projects enjoyed disproportionate success in gaining funds from the government under the Single Regeneration Budget in 1994. And all the boroughs have fall-back plans to ensure that projects go ahead even without central government funding.

Each of the four boroughs has a similar geography: a narrow frontage on to the river Thames and a sliver of land southwards into generally poorer areas, with more affluent suburbs along southern borders. Their differences and similarities are summarised below:

● Lambeth: The borough stretches southwards from the Waterloo area – including the National Theatre and South Bank complex – through Brixton and Clapham to the relatively affluent areas of Streatham and Norwood.

In 1994 it won £5.2m for a project to revitalise the area around Waterloo, which has always been a gloomy entry-point in London. The money is being spent on a variety of measures to provide jobs and training opportunities. Among them is the "social firms initiative" – an attempt to enable people with mental health problems to enter the labour market.

The borough is now concentrating its efforts on Vauxhall, where large employers, including MI6, exist just across the road from some of the most deprived estates in London.

Brixton received funding under the City Challenge scheme and last year got £750,000 from English Heritage. Despite its reputation and the rioting that took place at the end of 1995, Brixton's town centre has a number of impressive Edwardian and Victorian buildings, which will now be restored and enhanced at a total cost of £3m.

From this year, the focus of attention is shifting to the three more affluent town centres in the south of the borough – Tulse Hill, Clapham and Streatham. The council intends to introduce closed circuit television and better street lighting to reduce crime, improve road safety and set up local chambers of commerce.

● Southwark: Stretches from the Bankside around London Bridge and Bermondsey south through Peckham to Dulwich and Crystal Palace.

In 1994, its bid to regenerate the five estates in Peckham, a pocket of severe deprivation in the centre of the borough, received £60m under the Single Regeneration Budget – the biggest award anywhere in the country.

Total investment secured by the Peckham Partnership is £251m over the next seven years. Neither central government nor the borough need to provide as much as a quarter of this. Private sector sources account for £83m of the funding, with £45m from local housing associations.

The aim is "to build desirable residential areas" and support a "stable and prosperous community". Housing takes £204m – by far the largest share of the investment – in an indication of how poor the quality of the accommodation had become.

The borough plans to support the project, which has strong ministerial interest, with £12m for education, £12m for health, culture and sport, and £11m in enterprise grants. There will also be funding for improved community safety and transport.

● Lewisham: Lewisham stretches from Deptford through Lewisham and Catford to Sydenham and Lee Green.

In Deptford city centre, it has already seen one of the most successful regeneration projects in the UK. The City Challenge scheme provided £37.5m of government funding, which has stimulated more than £200m from the private sector. The new all-seater stadium for Millwall football club, the first in a wave of new stadia around the country, is one of the most visible results. Millwall's old stadium has been demolished, and its site now provides 400 houses. The project has also fuelled heavy investment in skills training, particularly in the New Cross area.

Now, the planners' attention has switched to Lewisham and Catford town centres. In Lewisham, the Lewisham 2000 project, which started in 1988 and was recently completed, produced a pedestrianised high street, new relief roads, and a re-designed town centre, including the relocation of the town's old Victorian clock tower. The borough now has a "town centre manager" to promote the area, to improve security and to co-ordinate development.

In Catford, the borough wants to create a new town square in front of the theatre, with pavement cafés, new planting and public art. This will be possible once the main roads, which currently divide the area, have been rerouted. A new Catford Partnership has also been set up, with local retailers and other economic participants, and it is hoped some regeneration work, including retail and leisure sites, can start before the road system has been changed.

● Greenwich: The borough covers a nine-mile stretch of the Thames, including the Royal Naval Museum, and includes Charlton, Blackheath, Woolwich and Thamesmead.

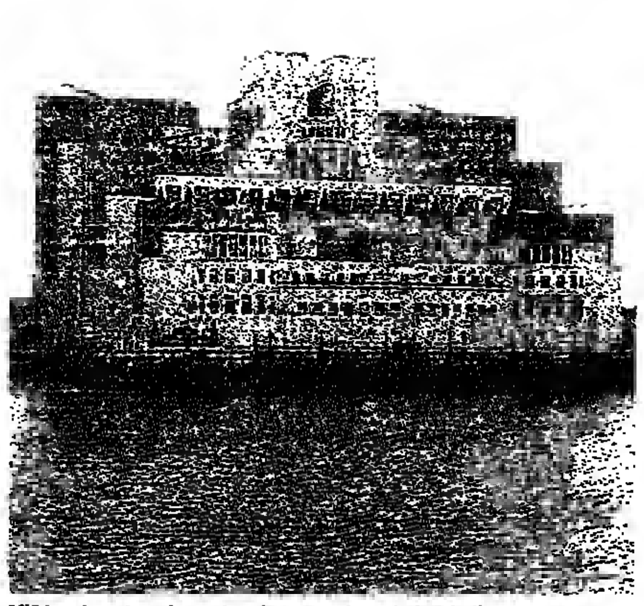
In the Greenwich peninsula, a large area of wasteland facing Docklands that used to house gasworks, the borough has the largest regeneration site in London. The Ministry of Defence's decision to leave one of the area's best known landmarks, the Woolwich Arsenal, provides further opportunities.

Now that the wall surrounding the Arsenal has come down, its 18 separate listed buildings can be appreciated by the local community, improving its chances of stimulating regeneration investment. Numerous possible plans for the site include a Royal Artillery museum, which would add to the borough's tourist attractions. It is also one of two London sites (the other is further north at Bromley-by-Bow) bidding to stage the UK's Millennium Festival in the year 2000.

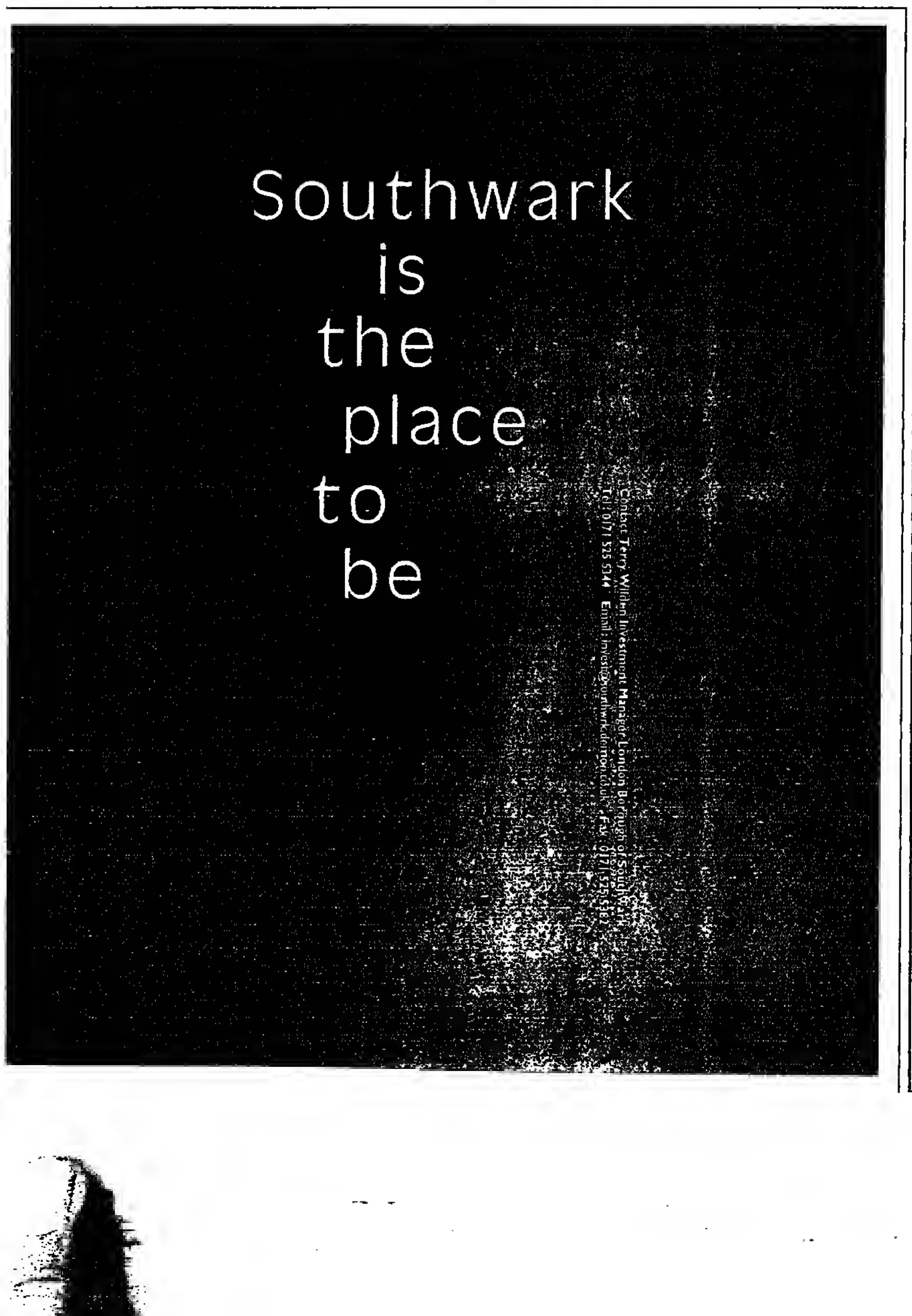
Greenwich, like Lewisham, is part of the Thames Gateway London Partnership, which also includes several boroughs north of the river, and was launched jointly at the beginning of December by Mr David Curry, the local government minister, and Mr Neil Kinnock, the EU commissioner.

The partnership includes 11 borough councils, two training and enterprise councils and the London Docklands Development Corporation, which are funding the department jointly. It is billed as Europe's largest urban regeneration region, and has its own specialist regeneration unit with three staff.

On a smaller scale, Greenwich and Lewisham are in partnership to "clean and green" the Deptford Creek, which is part of the boundary between the two boroughs, and which the councils hope could provide an attractive waterfront setting for new development.



MI6 headquarters: home to a large employer in Lambeth Ashley Ashwood



■ **Retailing:** by William Lewis

Shops win planning support

New government guidelines should help encourage the development of town-centre sites

Officials responsible for retailing in the four inner London boroughs on the south bank of the Thames appear to have found an unlikely champion in Mr John Gummer, the environment secretary.

For several years they have fought a losing battle against out-of-town retail developments. The relocation of supermarkets and, more recently, non-food retail outlets, to out-of-town centres has hit jobs and investment in crucial economic areas in all four boroughs, retail strategists say.

However, last year the Department of Environment released a revised and strengthened draft of planning guidelines, called PPG6, which delighted officials responsible for retailing in the boroughs of Greenwich, Lewisham, Southwark and Lambeth.

"At long last, the government has seen sense and is backing a policy we have had in place for the past 15 years," says Mr Paul Duffield, director of environmental services for Lambeth council, whose comments are supported by officials at each of the other three boroughs.

All four cite the environment and scute economic problems as reasons for wanting retailers to focus on developing sites in traditional shopping areas.

"Don't forget that out-of-town shopping centres can cut out a lot of people who do not have the means to drive there, and that those who do are not exactly helping the environment," says Mr David Taylor, Greenwich planning manager.

The councils argue that town centres have been the recipients of accumulated investment over many years and are also vital transport centres. "Town centres in themselves serve a wider community function so it is vital that we protect the historic investment," says Mr Brian Regan, principal planning officer for Lewisham.

Mr Gummer has made his campaign to restore the "viability and vitality" of town centres something of a personal crusade, and it is music to the ears of the four boroughs.

The DoE's attitude to retail development is encapsulated in what it calls the "sequential test". Retailers and developers should look first at town-centre sites, then at edge-of-town sites, and at out-of-town sites only if no alternative is available. The question of whether a site is suitable is to be left to free negotiations between the local authority, the developers and the retailers.

Such a structure should in theory help the boroughs to strengthen their retail strategies, which are based on maintaining the traditional "hierarchy" of retail sites.

Southwark council's hierarchy is typical. Peckham is the "major strategic centre", and there are seven so-called "district centres", including Elephant and Castle, Surrey Qnays and Camberwell. One notch lower in the hierarchy are "local centres" including Old Kent Road, one of the fastest growing business and retail areas in London, and Dulwich Village.

Southwark admits that Peckham, its strategic centre, is "not as strong on retailing" as Lewisham, which has a similar hierarchy in place. Mr Regan says that the borough's "planning policies are designed to maintain and enhance the hierarchy", which stipulates Lewisham town as the borough's strategic centre.

In spite of belated central government support for the councils' retail policies, the future of top quality town centre retailing in south London is far from guaranteed.

"The government's new guidelines cannot extend to undoing the out-of-town developments slready built," one retail analyst says. Some of the largest shopping centres built in recent years have been out-of-town, including Lakeside in Thurrock, Essex. One large retailer, with a presence in all four boroughs, says that Lakeside has "caused a lot of trade to disappear, particularly at peak times". As important is the ability of local authorities to be able to offer developers and retailers attractive town centre packages.

Analysts say "site assembly" is potentially the most difficult obstacle to overcome, with most town centre sites requiring redevelopment, rebuilding, lengthy negotiations and potentially high costs.

Mr Regan says that the "web of intricacies in the world of retailing" must include the limited scope that local authorities have to kick start town centre developments. "The clampdown on council finances has made it harder to put big planned schemes together," he says.

Security in town centre sites is seen by retailers as another big issue. Several of the councils are working on providing or enhancing closed circuit television in their prime retail areas, but some retail operators complain about the length of time this is taking.

> Inadequate parking facilities remain a source of concern for retailers

Lambeth council has taken a policeman on secondment to help develop its security initiatives. "Security is a fundamental part of what we are trying to do in developing a local partnership between traders and police," says Mr Duffield. Lambeth provides a CCTV service as well as advice on security issues to traders.

Notwithstanding these initiatives, the boroughs face a difficult dilemma. It is summed up by Mr Taylor of Greenwich. By attempting to block retail investment in out of centre locations, councils run the risk of losing out on the investment altogether. "We do not want them to move elsewhere," Mr Taylor says.

Parking facilities in town centre sites are also a source of concern for retailers, who complain that empty promises by council officials to create new multi-storey car parks "are as common as Royal family scandals".

All four local authorities say they are aware of the need to upgrade car parking facilities, creating more spaces and improving safety standards. But they argue that their ability to put together packages to compete with out-of-town greenfield sites is reduced by central government spending curbs.

However, the councils point to a number of initiatives that should improve the relative attractiveness of their town centre sites for retailers. Lewisham, for example, has appointed a town centre manager. "His job is specifically to talk with the individual managers in the centre and do things that will help them to stay," says Mr Regan.

Council officials cite several planned town centre developments as evidence that their efforts are having some effect.

For example, in Brixton, London and Cambridge Properties is planning a £33m scheme to develop a two-storey shopping centre above the tube station. The development of what is known as the Central site has been a long-term policy objective of Lambeth council, but London and Cambridge's planning application was the first it received.

Southwark was encouraged by reports last December that suggested that UK Land, the quoted property company, was close to refinancing its main asset, the bright pink Elephant and Castle shopping centre.

All four boroughs are bullish about retailing in their key areas over the next five years, partly because of non-retail developments. Southwark, for example, predicts "a major expansion of food and non-food retailing" in the Borough High Street, Bankside and London Bridge area as a result of the development of the Globe theatre, the Royal Opera and Jubilee Underground line.

The borough states that "Hay's Galleria types of shop will move into Bankside and Borough Market areas" and that more shopping facilities will be provided at London Bridge Station.

Job hopes lie in services

Light industries will provide the employment prospects of the future

With "old" industries, which were generally concentrated on the docks of the River Thames, long since gone, South London has had to look to the development of new ones.

Much of the area's potential is connected with the completion of the Jubilee line underground extension, which will have new stations at London Bridge, Bermondsey, Surrey Quays/Canada Water, and North Greenwich. In addition, the proposed extension of the Docklands Light Railway to Lewisham, and a strong possibility that Greenwich could be the successful bidder to host the Millennium celebrations, could also stimulate industrial and commercial development.

Improved transport links will, of course, aid the tourist industry. The better connected the south is to the centre, the greater its appeal to visitors. Robert Gordon Clark at the London First Centre, a private and public sector partnership to promote inward investment to the capital, believes south London could be an answer to the capital's accommodation crisis. "There is a great need for both two and three star hotels in London, and quite often the central London hotels are full," he says.

Two potential growth areas for hotels and restaurants are the developments in Southwark of the Tate's new Museum of Modern Art and the Globe theatre. It is likely that small retail units, restaurants and perhaps hotels will cluster round these new arts facilities.

One of the blueprints for south London regeneration is, perhaps, Surrey Quays. Formerly Surrey Docks, the site was largely deserted by the time the London Docklands Development Corporation was formed in 1981. It became, however, one of the main focuses of LDDC activity and has since been transformed into a retail unit.

Associated Newspapers relocated its printing plant there during the general exodus of the newspaper industry from Fleet Street, and in so doing became the area's main industrial unit.

The LDDC has now encouraged the development of a second phase, known as Canada Water, which will extend shopping facilities and lead to a significant leisure development. On an eight-acre site purchased from Southwark council, new employment will be provided in the leisure industry by the construction of a big cinema complex, bowling centre and restaurants. Completion of this phase is scheduled for the end of 1996.

In an effort to recruit local people into the leisure industry, a training school for potential chefs has been established at another LDDC-backed site, Butlers Wharf, where there is a number of restaurants.

Further south, the Deptford City Challenge has helped regenerate Lewisham. Established in 1992, it was given government funding worth £37.5m over five years.

Ms Caroline Shorten, of LDCC, says that a £6m regeneration fund encouraged new companies to move into the area, creating employment for local residents. It is expected that by 1997 some 3,000 new jobs will have been created.

The retail industry will become a leading employer in Lewisham this year when J. Sainsbury opens a supermarket at New Cross. This, says Ms Shorten, is likely to lead to 350 new jobs. On the same site will be a new Gala Clubs bingo hall and restaurants.

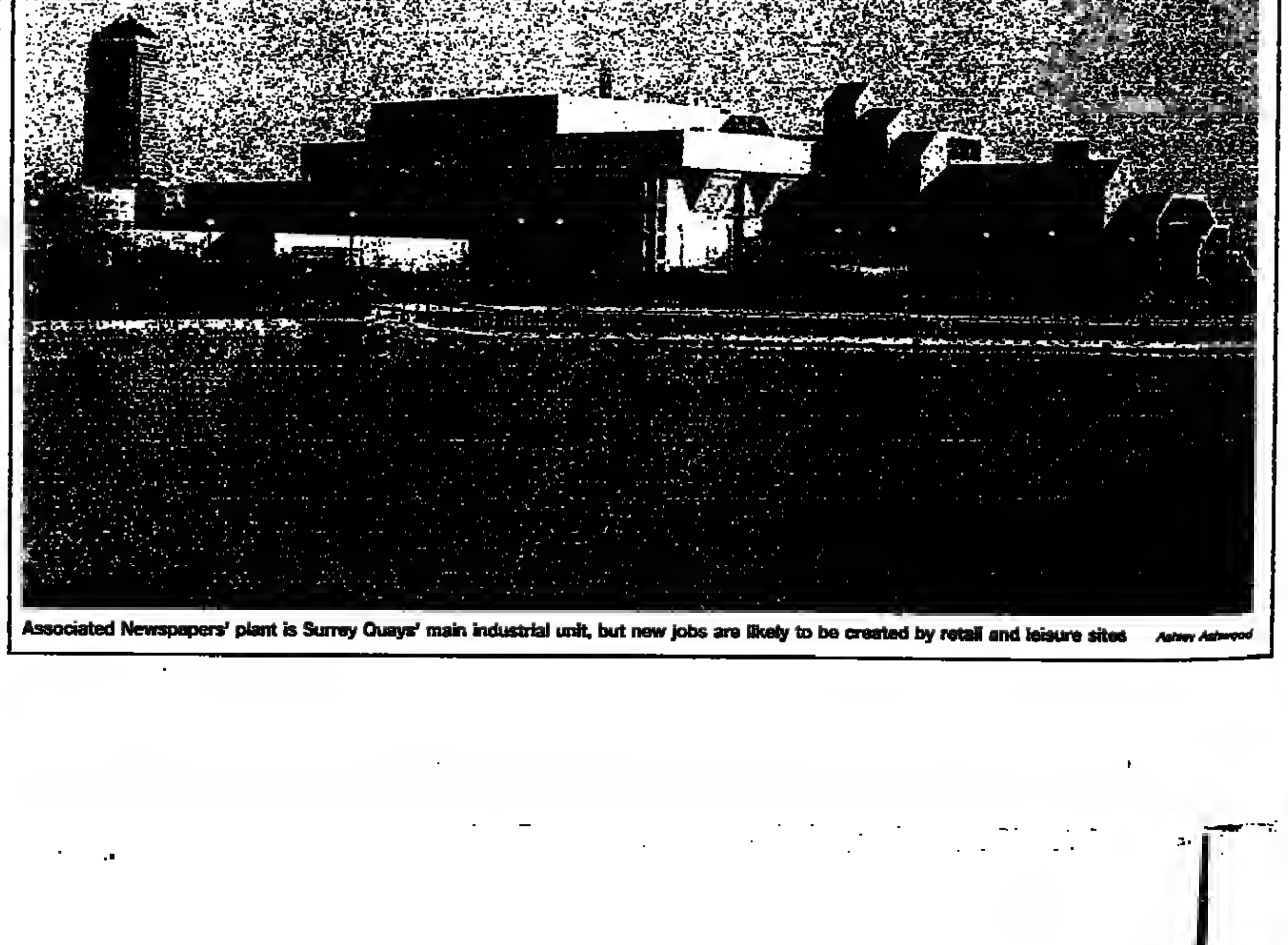
"The Sainsbury move brings a credibility to the area and speaks volumes for it in terms of opening new opportunities," says Ms Shorten.

Among businesses relocating to Deptford recently has been Advanced Systems and Support, s high-tech computer maintenance company, which became aware of the initiatives being taken in Deptford after the LDCC launched a television advertisement that was sbown in the M25 area.

This company actually relocated from another part of south-east London, and so bore out one of the policy initiatives of Ms Jane Calvert-Lee, the London director of the CBI. Ms Calvert-Lee says that one of the principal intentions when liaising with member companies is to suggest that they consider expansion within the area rather than relocating to another part of the country. Companies are also encouraged to get their suppliers to relocate near to them, so maximising the benefits to the local economy.

Where the Deptford City Challenge has led, it is hoped that initiatives by the new Thames Gateway will follow. A partnership of 11 London borough councils, including Greenwich and Lewisham, the London Docklands Development Corporation, and public and private enterprise, the Gateway was launched late last year. Its creation has been landed by Mr Neil Kinnock, EU Transport commissioner, as signalling "the start of a vast programme of urban renewal that will breathe new life and revitalise the Thames."

John Pitt



Associated Newspapers' plant is Surrey Quays' main industrial unit, but new jobs are likely to be created by retail and leisure sites Ashley Ashwood

■ **Education:** by John Authers

Reforms gain momentum

The damage done by years of poor standards will be difficult to repair – but not impossible

South London's education system is battling with a legacy of entrenched under-performance.

Last year, 14.9 per cent of 16-year-olds in Greenwich left school with no qualifications at all. There were similarly high figures in Southwark (13.4 per cent) and Lambeth (12.2 per cent). The national average, by comparison, is 8.1.

Ofsted, the government schools inspectorate, is making a special investigation of all the schools in Lambeth over the next year, due to the significant number of schools in the borough that it had already found to be "failing". Lambeth is one of only two boroughs in the country to be singled out for such attention.

And the government's "league tables" of schools' performance in public examinations also do the four boroughs no favours. In a table ranking authorities by the number of students reaching at least five Cs at GCSE (the traditional benchmark for moving on to sixth-form studies) last year Southwark came 105th out of 108. In the previous three years, it had finished either 108th or 107th. On the same scale last year, Lambeth finished 103rd, Greenwich 94th, and Lewisham 90th.

Lambeth and Southwark also have among the worst 10 absenteeism records in the country.

On first sight, these are deeply depressing figures. Like other economically deprived areas, south London's education system is not producing pupils who have the skills to help revitalise the local economy.

However, the area's local education authorities are making strenuous attempts to improve the situation, and they have plenty of help from outside agencies. South London gained two new universities in 1992 when South Bank University, whose main campus is near Elephant and Castle in Southwark, and Greenwich University were upgraded from polytechnics.

The authorities all appear to be progressing, albeit from a very low base. Southwark's successful effort to move off the bottom of the league table has included employing teachers on separate, part-time contracts to take evening and Easter revision classes.

Lewisham has piloted anti-truancy measures with a Schoolhouse programme. Disaffected pupils are taken out of the school environment to attend lessons in a normal terraced house in Deptford, receiving tuition that is organised jointly by the council and Lewisham College. High technology is also being used: Lambeth's primary schools are now on-line, forming one of the UK's first local education highways.

At school level, the area boasts a City Technology College in Lewisham. In Lambeth, where the majority of secondary schools have opted out, some schools have made controversial proposals – so far denied by the Department for Education – to introduce academic selection in their recruitment of pupils. This follows the decision by grant-maintained comprehensive schools in neighbouring Conservative-controlled Wandsworth to select half of their pupils on academic ability.

The presence of numerous Anglican and Catholic schools, and a range of single-sex schools, also ensures a varied choice for parents, while the area's independent schools receive big subsidies from the government to take on children from low-income families through the Assisted Places scheme. Dulwich College received £1.28m from the government in 1993-94, more than any other school in the country.

But it is the area's higher and further education that is having the most direct impact on the local economy.

The universities, in particular, have placed themselves at the heart of attempts at regeneration. Both can stimulate development by virtue of their size. (South Bank doubled its intake between 1990 and 1992).

But both deliberately cater for the needs of the area, with a concentration of older students, many of whom take part-time degrees while continuing with their normal jobs. In 1992-93, 77 per cent of South Bank's entry for full-time courses were "mature students" (over 21), as were 61 per cent of students at Greenwich. This reflects efforts to re-skill the local workforce.

Door of opportunity: universities are helping re-skill the local workforce *Tony Andrews*

Both universities also act as consultants to local small companies.

Their capital developments alone have a significant economic impact. Greenwich has used innovative partnerships with the private sector to house its new students, striking a £12m deal with Wimpey, the construction company, to design, build, finance and operate new student accommodation in return for an annual rent. After 30 years, the buildings will return to the university.

South Bank is building a £13m hall of residence at St George's Circus, near Elephant and Castle, while a £4m information technology centre on the Borough Road, near Bankside, will open in September.

The centre will include 1,000 computer work stations, and will function as an "electronic library", with access to CD-Roms, external databases and the Joint Academic Network (JANET). The centre will have extended opening hours, and the university will hope to make it available to the public.

Mr Gerald Bernbaum, vice-chancellor of South Bank, says the university also has ambitious plans for a further site on St George's Circus, which would include student accommodation but would also be available for community activities – such as a health centre, or services for the elderly.

But Mr Bernbaum is also keen to use the university to attract custom from outside the UK. South Bank's courses, which are mostly vocational, and its position near to the Thames and the centre of London, have made it popular with students from elsewhere in the EU. Degree courses that last four or five years in Germany can be completed in three at South Bank. In the process, students can gain fluency in the English language. More than 1,200 students came from other EU countries to take degrees at South Bank last year. The benefits to the local economy are not insignificant: all of these students must have spent money in the area during their stay.

■ **Local government:** by John Authers

Losing the 'loony' label

Thanks to new management strategies, the councils are at last shaking off their old image

Superficially, south London's four borough councils look rather similar. All were Labour-controlled virtually continuously for a decade, and have to battle with serious levels of deprivation. They all tend to be labelled "loony Left" indiscriminately by the press.

But this homogeneity is only superficial. The uniform party political outlook conceals huge differences in managerial culture and effectiveness, and in history.

Greenwich is a moderate council that never fitted the loony left label. Lewisham is well established as one of the most innovative and best managed councils to the UK, while, in the past few years, Southwark has shown signs of emulating it, using rather more radical plans.

Lambeth, considered king of the "loony left" contingent for policies adopted in the past two decades, has spent most of the 1990s trying to turn the tide.

The council has had three chief executives in the past three years, each of whom has tried to overturn the serious legacy of mismanagement. While councillors indulged to confrontational policies, such as resisting the government's decision to "cap" their rates to 1987, or publicly announcing they would not pay their poll tax to 1990, lower level managers were left virtually unsupervised.

In 1994, Labour lost overall control of the council, gaining only as many seats as the Liberal Democrats. Tenants' dissatisfaction with the appalling disrepair of the borough's estates was generally held to blame.

Lambeth has been frank about the problems for several years now, and in 1994 published a report by Miss Elizabeth Appleby, an independent barrister. This found that, as of October 1994, Lambeth, whose annual budget is about £600m, was owed £200m in unpaid rents, council tax and poll tax arrears.

Miss Appleby advised Lambeth's new chief executive, Ms Heather Rabbatts, recruited from nearby Merton after intensive head-hunting, "to proceed on the basis that mismanagement is to be found in each and every directorate".

She appears to have done so, as all the borough's departmental directors have been replaced since she took over a year ago. Ms Rabbatts is now making a series of what she calls "single policy hits", whereby officials focus on individual issues and report to the chief executive. "We've had estates where the lights have been on all day and off all night for the last two years. I have one officer, answering directly to me, working exclusively on estate lighting," she says.

If anything emphasises the change of attitude at Lambeth, it is the borough's stall at the last CBI annual conference. The stall had plenty of visitors, according to Ms Rabbatts, "and all of them said they'd never have worked with Lambeth before, but they would now".

Ms Rabbatts even wants finally to solve the problem of the borough's direct services operation. Lambeth is looking for a private sector buyer to take it over, effectively "externalising" the operation and exposing it to private sector disciplines. The council would retain a stake, and the organisation would remain contracted to it.

With rather less fanfare, neighbouring Southwark, still Labour-controlled, has already accomplished an impressive managerial shift. On a range of indicators pulbished last year by the Audit Commission, its housing service (which owns the largest council housing stock in London) is shown to be comfortably the best in the city.

Behind the figures lies a welter of sweeping managerial changes pushed through with cross-party backing by the borough's soft-spoken chief executive, Mr Bob Coomber. The number of senior managers was cut by more than half, from 11 to five, leaving the incumbents to concentrate on strategy, and, coupled with staff cuts elsewhere, saving £1m from the annual wage bill.

Middle managers now take more responsibility. This is particularly true of the housing department, where power has passed down to individual estates and is exercised by tenants' associations in conjunction with local housing managers. The intention is to make the council serve clients, rather than defend departmental fiefdoms.

Brutal performance indicators are used across the borough, with each estate being told monthly how its figures on arrears, vacant flats and so on compare with others, and schools told how their exam results in individual subjects stack up.

South London's best-established example of the competitive spirit in local government is in Lewisham. There, DirectTeam, the organisation that provides blue- collar services, has proved fiercely competitive in answer to strong incentives provided for it by the council.

Uniquely among council direct services operations, DirectTeam started as a refuse collection group, which successfully became the first to introduce wheely-bins to a metropolitan borough, and then successively took over the organisations covering all Lewisham's blue-collar services.

Typically, DirectTeam would take on a service that was failing, turn it around, and pass on (some of) the savings to the council, while also using them to invest in the next failing service that it needed to take over.

Its formidable list of national prizes includes a national training award from the old Department of Employment, and a Chartermark for customer care. It was also the first public sector organisation to receive the British Standards Institute's ISO 9000 for all its services and is the largest public sector organisation to be recognised for the Investors in People classification.

DirectTeam is an enlightened employer, advertising for staff with promises of strong, accredited training schemes, including an Open Learning Centre where employees can improve their literacy and numeracy, and learn about word processing and spreadsheets.

The organisation also offers training opportunities to the local unemployed, recruiting about 110 people each year to take courses in building skills, which also lead to national vocational qualifications.

Last year, this led to the unprecedented step of the organisation's managers setting up a management "buy-in" of AAH Environmental Services, one of the biggest local government contractors with a workforce of 2,500, in a deal worth £32m. This allowed its managers to expand their business in a way denied to them under current legislation, which limits trading by local authorities.

Lewisham has also led the country in experimenting with the concept of the "electronic town hall". Last year it provided "video boxes" in different locations in the borough where citizens could record their complaints or suggestions. Several hundred took the opportunity to do so.

■ **Tourism:** by Scheherazade Daneshkhu

Faith grows in industry of the future

New hotels and new sites may break the north's stranglehold on the leisure business

London is unquestionably the main tourist destination in the UK. Of the 21m overseas visitors who came to the country in 1994, 11.5m headed for the capital. In addition, some 8.6m domestic visits were made. Tourists spent £6.4bn in the capital in 1994; the London Tourist Board expects the equivalent figure for 1995 to stand at £7bn, and the number of home and overseas visitors to total 21m.

Yet south London gets only a fraction of these financial benefits. Its biggest tourist attraction, Greenwich, does receive 2m visitors annually, thanks to the National Maritime Museum, the Royal Observatory and the Cutty Sark ship. However, the average visitor does not spend more than half a day in the borough.

The main problem for south London is that the capital's most popular tourist attractions are all situated north of the Thames. The British Museum, the National Gallery, St Paul's cathedral, the Tower of London, the Tate Gallery and Westminster Abbey are London's most frequented tourist destinations, attracting between them more than 19m visits a year.

Tourists not only visit sites – they also go to the theatre and spend £1.25bn a year on shopping. Here, once again, north of the river has the advantage – this is where London's main shopping districts, Oxford Street and Knightsbridge, are located. Its theatre and restaurant heartland is also in the West End.

However, south London has its fair share of attractions, anchored by the South Bank development of theatres, cinemas, galleries and restaurants near Waterloo bridge. Such south London sites as Tower Bridge, the Design Museum, HMS Belfast, Southwark Cathedral, the London Dungeon and Lambeth Palace also attract a steady stream of visitors.

Two attractions that should increase visitor numbers substantially are also being developed: the replica of Shakespeare's Globe theatre and the Tate Gallery of Modern Art at Bankside power station on the bank of the Thames in Southwark.

The Millennium Commission has awarded the Tate £50m towards the estimated £106m cost of the development of the Tate Gallery of Modern Art, and the Globe was recently given a £12.4m grant by the Arts Council.

The new gallery, which will show around 1,000 masterpieces of 20th century art, is expected to open in 2000. The Tate Gallery on Millbank will return to its original role as a museum of British art. There are also plans to link Bankside, which is opposite St Paul's cathedral, to the north bank with a new footbridge across the Thames.

These developments coincide with recent initiatives by the London Tourist Board and the government to try to spread the benefits of tourism to south and east London. The London Tourist Board was recently awarded £350,000 over five years through the government's Single Regeneration Budget challenge fund 1996 for its TourEast London project.

Greenwich and Southwark are two of the five boroughs – the others are Hackney, Tower Hamlets and Newham – in the TourEast consortium, which is promoting tourism to east London and which also includes the London Docklands Development Corporation.

Mr Robert Chenery, head of development at the London Tourist Board, says the government recognises the importance of tourism as a mechanism for urban regeneration and as a way of revitalising areas that do not have the obvious attractions of the West End. In addition, areas outside central London have the potential to attract second-time round visitors who would like to see something different from their first trip. (Sixty per cent of London's tourists make repeat visits.)

The London Tourist Board and Christie and Co, the property surveyors, have also launched a campaign to stimulate hotel building, particularly in areas outside the city centre. The LTB estimates that 10,000 more rooms could be needed by 2000 to cope with growing tourist demand. The main shortage is of affordable hotels and, given the high cost of land in central London, it seems sensible to situate new hotels in areas outside the centre such as Docklands and the South Bank.

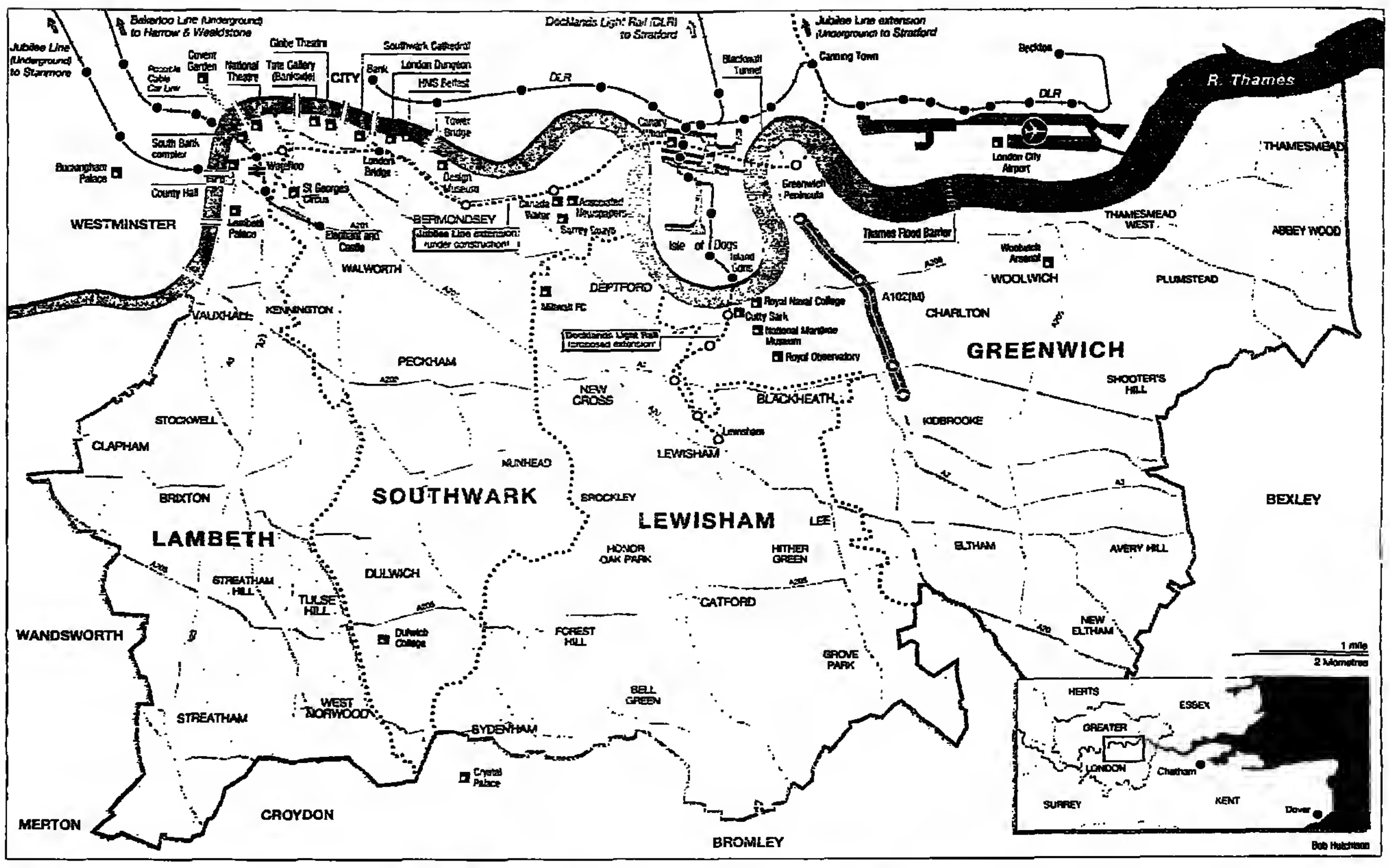
Last summer, Accor, the French hotels group, opened one of its three-star Novotel hotels near Waterloo station and Lambeth Palace, home of the Archbishop of Canterbury.

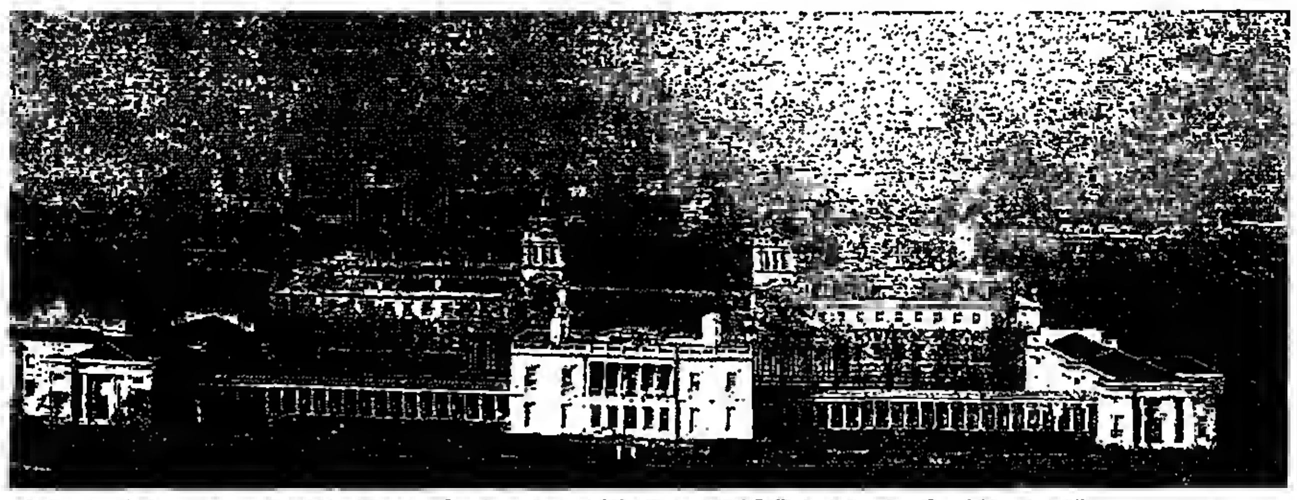
Whitbread, the brewing and leisure company, last month said that it would be building two hotels in County Hall, the former home of the Greater London Council, on Westminster Bridge on the south side of the Thames. The move was welcomed by Ms Virginia Bottomley, the National Heritage secretary, as "a vote of confidence in the efforts we are making to attract more visitors". Whitbread is developing a 200-room four-star Marriott hotel and a 318-room Travel Inn budget hotel and is also planning two other Travel Inns, one of 220 rooms at Euston and one of 150 rooms at Putney Bridge.

Mr Trevor Ward, director, BDO Hospitality Consulting, says this development will help focus attention on the south of the river as a tourist destination.

However, Mr Ward believes it will be more difficult to attract tourists to hotels in some other parts of south London. "County Hall is on the doorstep of the city centre but in other areas you'd need more than a hotel – you'd need a reason for staying there. It could be difficult to make money out of building a tourist attraction in some of these areas," he says.

The LTB's Mr Chenery disagrees. He believes there is demand for hotel accommodation in the south London boroughs and cites the Scandic Crown hotel at Nelson Dock in Southwark and the Britannia International in the Isle of Dogs in the east end as evidence. "A market exists and the scope to develop hotels in the centre is not easy," he says.




Greenwich, where the National Maritime Museum, Queen's House and the Royal Naval College help attract 2m visitors annually *Ashley Ashwood*

Transport services

Continued from page 1

Cathedral and HMS Belfast.

It will also bring Canary Wharf within 10 minutes of Waterloo and and at peak periods is expected to carry 18,000 passengers in each direction every hour.

The Jubilee Line extension makes no fewer than four crossings of the Thames, emphasising the extent to which the river forms a barrier, particularly in east London.

Another important crossing under the Thames will be provided by the Lewisham extension of the Docklands Light Railway. This will link the Isle of Dogs to the north and Greenwich and Lewisham to the south. Four consortia have been short-listed to build the £100m-£130m extension and are expected to put in their final bids later this month. The 4½ mile extension is expected to carry 10m passengers a year, a quarter of the total using the DLR network, by 2004.

If all goes according to plan, the extension will be open in 1999, linking Lewisham town centre through Deptford and Greenwich with Canary Wharf. This would both improve job prospects for people in south London and give employers in Docklands a bigger pool from which to recruit staff.

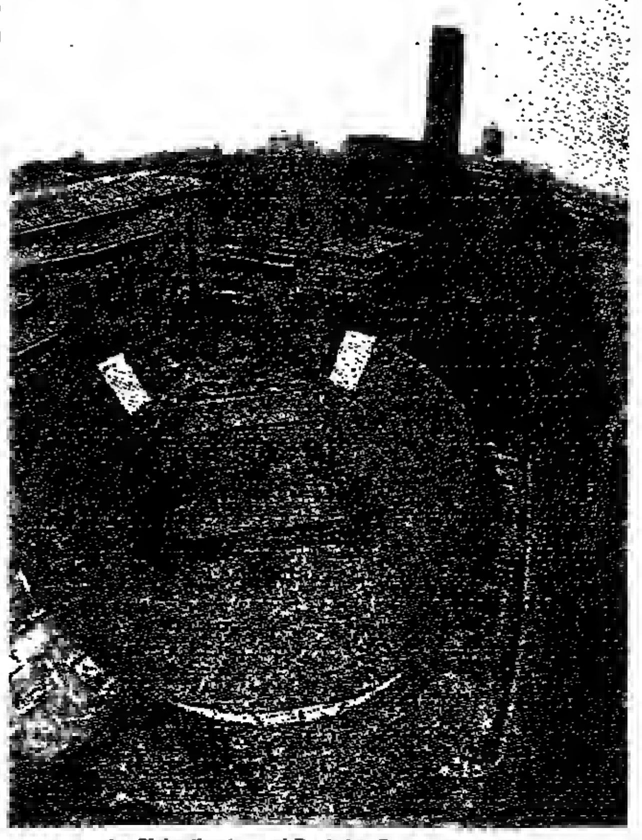
The extension also has the potential to increase tourist and leisure travel between central London and Greenwich. This, however, may prove prohibitively expensive – an underground station at the Cutty Sark site on the Greenwich waterfront would cost £14m to build.

There are no immediate plans to reintroduce trams in the four boroughs, although a proposal for a line linking Kings Cross with Waterloo and the Elephant and Castle is being investigated by London Transport and the councils involved. London's last tram ran between the Victoria Embankment and New Cross in July 1952.

Further south, however, the Croydon Tramlink project is making good progress. Four consortia have been shortlisted to make final bids for the £160m project. The 17-mile network would speed up journey times between Wimbledon, Croydon, Beckenham and New Addington.

The Croydon Tramlink would provide a desperately needed orbital connection in the south of the capital, where most existing rail lines run radial services into the centre.

A start is being made with the transport links needed to connect the four boroughs more closely with the economic life of the rest of the capital but there is still a long way to go.


New sites: the Globe theatre and Bankside Power Station *Ashley Ashwood*

FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 8 1996

MARKETS THIS WEEK

GERARD BAKER:
GLOBAL INVESTOR
Financial markets received the news of the departure of the latest Japanese prima minister on Friday with customary sangfroid. In Japanese political drama, the actors may change with bewildering rapidity, but the plot evolves rather more slowly. Page 24

ROBERT CHOTE:
ECONOMICS NOTEBOOK
Governments have spent much of the 1990s learning to live with disenchantment among the electorally pivotal middle classes. So it is somewhat ironic that, in countries such as the US, many economists have argued that the middle class is shrinking. Page 24

BONDS:
With bank loan interest rates at their lowest for many years, and not seen rising in the short term, dealers in the international syndicated loans market are gearing up for another busy year. Page 26

EQUITIES:
For shares in London, the most important economic numbers due this week are likely to be Thursday's manufacturing output and industrial production figures. In the US, talks between President Clinton and the Congressional Republicans over the budget dispute will continue to be a significant factor. Page 27

EMERGING MARKETS:
Investors hoping the new year would usher in a better performance in Taiwan's stock market than last year's abysmal showing met severe disappointment. The news is not likely to get much better during the first half of the year. Page 25

CURRENCIES:
In spite of the wrangle over the US budget, most analysts and investors are bullish, with good reason, about the dollar, but it is by no means one-way traffic. Page 25

COMMODITIES:
Pests and drought devastated cotton yields last year, sending prices to record highs. So seminars on biotechnologies to fight such blights are expected to attract swarms of participants at this week's 1996 Beltwide Cotton Conference. Page 24

INTERNATIONAL COMPANIES:
Goldman Sachs, the US investment bank, is close to buying AMF, the country's biggest operator of bowling alleys, for about $1bn. Page 23

UK COMPANIES:
Meggitt, the aerospace and electronics engineering company, is today expected to announce the resignation of Mr Nigel McCorkell, its deputy chairman. Page 22

STATISTICS

Intel admits Pentium chip speed error

Faulty software brings fresh embarrassment to world's largest microprocessor producer

By Louise Kehoe in San Francisco

Intel Pentium microprocessors, used in the latest high-performance desktop personal computers, are not as fast as had been claimed by the chip manufacturer. An error in software used to determine the speed of the chips produced false results, overstating the performance of some of Intel's newest Pentium chips by about 10 per cent, the company announced on Friday.

The error is an embarrassment for Intel, the world's largest chip maker, reviving memories of the 1994 revelation of a defect in early versions of the Pentium chip. "We are embarrassed and truly sorry for this oversight," said Mr Fred Pollack, director of Intel's measurement, chip architecture and planning group.

Intel's admission and its apology are in sharp contrast to the company's response in 1994 when a mathematics researcher discovered a flaw in the Pentium chip. Intel at first denied the significance of the flaw. An outcry forced the company to offer to replace the chips at a cost of $475m.

Having learnt its lesson, Intel has taken a different approach to the latest Pentium problem. "Rather than hiding it or saying it's not important, we are making this information public. And if we take a shot in the stomach, we take a shot in the stomach," the group said. However, investors did not appear to be concerned by Intel's announcement. The company's shares closed unchanged at $57½ on Friday.

Intel's dominant role in the market for microprocessor chips used in PCs is unlikely to be affected. Although competitors make faster chips, Intel's devices have become the industry standard, accounting for about 80 per cent of microprocessors used in the PC industry.

However, Intel could face customer complaints. The company said it was investigating whether any customers had purchased its chips solely on the basis of the defective test.

Separately, Intel and Advanced Micro Devices reached a five-year cross-licensing agreement on patents and certain copyrights, the semiconductor manufacturers said. Financial terms of the new agreement were not revealed. A previous licensing agreement between the companies expired at the end of 1995.

Intel and AMD have a history of legal battles over intellectual property rights. The companies reached a broad settlement 12 months ago and agreed as part of that settlement to negotiate a new cross-licensing pact.

Opinions are divided over prospects for shares in 1996 after astonishing increases in 1995

Pharmaceutical groups finish the year on a high

Shares in the pharmaceuticals sector had a marvellous 1995, but 1996 may not turn out to be as lucrative for investors.

Last year's performance was unexpectedly strong: shares in the world's pharmaceuticals companies rose 47 per cent, their best performance since 1986. They outperformed global stock markets by 26 per cent.

Some companies did spectacularly. Shares in US company Pfizer, the world's seventh biggest drugs company by sales, rose more than 70 per cent. Merck of the US and SmithKline Beecham of the UK had share price rises of over 60 per cent. The increase in Merck's market capitalisation was more than $25bn.

Analysts are united on the two main reasons for their astonishing rise. First, drug shares had fallen 6 per cent between 1992 and 1994 as investors fretted over the possibility of US healthcare reform and the reality of cost controls imposed by governments in Europe and Japan.

The recovery from this low level came when the US reform plans were shelved and when it became clear that changes elsewhere could be absorbed without serious damage to profitability.

Second, drugs industry executives discovered they could cut costs with little apparent damage to prospects for growth. The 1980s was a decade of unprecedented profitability in the sector. Many companies, by their own admission, allowed cost control to fall down the agenda.

Much of the recent restructuring came after mergers or acquisitions. Glaxo announced savings of £700m ($1.1bn) a year after its £9.1bn takeover of Wellcome last yaar. Bid apeculation and the prospect of lower costs lifted share prices.

If there is littla dispute about wby 1995 was so good, there is plenty of room for divergent views on 1996. Leading the pessimists is BZW, whose 125-page analysis of the European pharmaceuticals sector, published last week, announced: "The bear is back!"

Its argument is based largely on share price charts and price/earnings ratios. Looking back at the last five years of share prices and earnings, BZW notes that the sector has never been able to stay above a 21 times price/earnings ratio for long.

"The sector started 1995 on 12.1 times earnings. Today's valuation is a heady 21 times," it says. "Valuations cannot be maintained at this level." It adds that "drug price pressures have not gone away". Healthcare reform may re-emerge as a US presidential election in November nears.

BZW says investors should "take profits" in a number of their pharmaceuticals investments. Some shares including those of Glaxo Wellcome and Pharmacia & Upjohn, will be cheaper in a year's time than now. Few analysts are as pessimistic as BZW, and some take an opposing view. James Capel, for example, argues that the extent of profitability improvements likely from cost-cutting has not yet been realised.

Mr Andrew Tivenan, a Capels pharmaceuticals analyst, picks companies in continental Europe as likely to have a good year because they are yet to make as many cuts in their costs as their US, UK, and Swiss rivals.

He forecasts that the sector "will do well" over the year, suggesting if inflation returns, more cyclical sectors would benefit.

Mr James Culverwell, of stock broker Merrill Lynch is upbeat. He says that mergers and cost-cutting "are extremely beneficial to the sector in the long term".

"Some of the less efficient companies have been taken over. Successful companies have eliminated borderline research programmes. The result is a much more efficient industry," he says.

Mnch of the disagreement could be resolved by any sharp move in the strength of the US dollar, in which the bulk of drug sales take place. Profits at several continental European companies, especially German groups such as Schering, and Ciba of Switzerland, were hurt last year by the falling value of dollar sales in their home currencies.

However, BZW argues that since a 15 per cent fall by the dollar against a basket of European currencies did not hurt share prices, a recovery sbould not lift them.

Another means of clarifying the direction of shares could be more hostile bids. The widespread bid speculation tbat gripped the sector after Glaxo's £9.1bn bid for Wellcome in January 1995 was one of the factors behind, for example, Zeneca's near-50 per cent share price rise over the year.

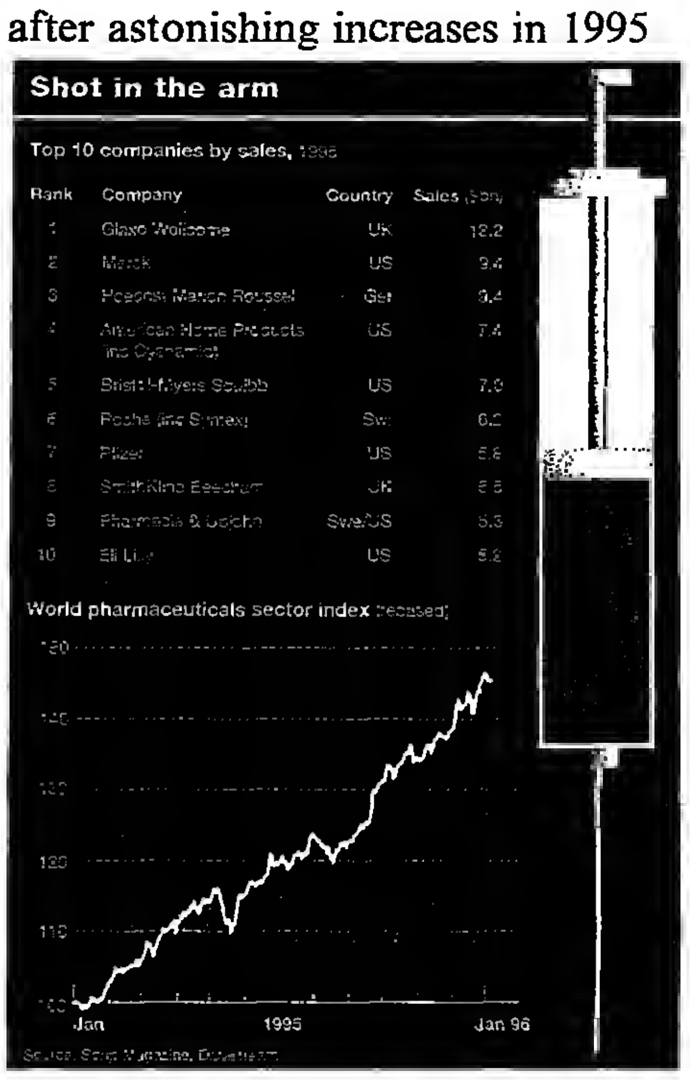
But analysts agree that further large hostile takeovers are unlikely. Almost all of the mid-sized drugs companies - with market capitalisation of $5bn-$12bn - have been taken over.

The large companies remaining may prove too expensive for potential acquirers. More likely, perhaps, are friendly mergers along the lines of the 1989 merger of SmithKline Beckman of the US and the UK's Beecham.

Opinion is divided on what this would mean for shares. Bid premiums might vanish, but some investors might be attracted by the possibility of higher earnings from cost cutting.

Either way, there does appear to have been one sea change in the past year. The rise in shares over the year has anticipated a rise in corporate earnings. Now the industry must deliver.

Daniel Green



Granada considers next Forte bid move

By David Blackwell in London

Granada's foll board convenes today to decide bow to continue its £3.3bn ($5.1bn) bostile takeover battle for Forte, the UK's largest hotels group.

Tbe meeting follows last nigbt's discussions between the TV, catering and leisure group's executive directors on tbeir options following Forte's surprisingly strong defence. The most likely move appears to be an increase in the bid tomorrow – the last possible opportunity.

In November, when Granada launched the bid, it offered four shares plus £23.25 casb for every 15 Forte shares. At Friday's close the offer was wortb 325p a sbare, with a fully underwritten cash alternative of 321.67p.

Some analysts believe Granada needs to raise the offer to the eqoivalent of more than 380p a sbare to be certain of victory. But an increase to between 340p and 380p looks more likely.

However, Mr Gerry Robinson, Granada chief executive, could also decide to make a bold attempt to win without increasing the offer. The group would rely on the strength of its business plans for a combined gronp to win institutional backing – it has cited possible savings of £100m in the first year.

A third option is to walk away from the deal, as the group did last summer witb contract caterer Eurest International. Not long afterwards, Compass, the world's biggest catering group, paid £580m to acquire Eurest from Accor, the Frencb hotels and catering group.

Some observers believe institutional sbareholders in botb groups would be happy to see Granada buy the roadside restaurant businesses and bndget botels, whicb Forte bas lined np to sell to Whitbread for £1.05bn. Bnt this option is unlikely as much of the savings ontlined by Granada in purchasing and staffing would disappear.

Meanwhile, Granada yesterday said it would be asking Kleinwort Benson to clarify one of the figures in a brokers' report issned on Friday. Granada believes Forte sbareholders opting for tbe sbare bny-back planned if tbe bid were to fail would retain 79 sbares wortb 301p, not the 330p assumed by Kleinwort. Tbe lower value reflects the effect of the planned distribution of Forte's shares in the Savoy Group.

This week: Company news

LONRHO

Demerger question still paramount

Lonrbo is expected this week to confirm that it is studying demerger plans.

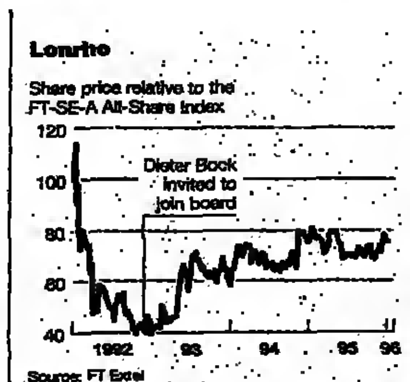
The most likely scenario is believed to be a flotation of the mining business after the group has been split in two. However, Mr Dieter Bock, the chief executive wbo is radically reshaping the international conglomerate, is likely to announce that nothing concrete has been decided.

Lonrho is reporting full-year results on Thursday. Mr Bock is expected to indicate that the recovery in the group's pre-tax profits is continuing and there might even be a modest increase in the dividend. Profit forecasts range between £140m and £150m ($215.6m-$231m) compared with £112m reported for 1993-94, still leaving Lonrho some way to go before it matcbes the £165m for 1992-93.

Mr Bock, who last year ousted his predecessor and Lonrho's founder, Mr Tiny Rowland, is said to be eager to find ways to reveal more clearly the true value of the components that make up the group in which be is the largest private shareholder.

Lonrho's mining interests, at present in the spotlight, include 41 per cent of Ashanti Goldfields of Gbana, recently floated in London and Accra, and 32 per cent of Impala Platinum Holdings, if the proposed merger between Gencor's and Lonrho's South African platinum interests goes ahead. That would result in the formation of the world's biggest producer of platinum and the implications are being considered by the European Commission.

Meanwhile, Mr Bock has been busy restructuring other parts of the group. The hotels business bas now had a full year as a consolidated subsidiary and it could be sold or reversed into another company. The African trading operations have been reorganised into a more sensible structure which would enable them to be floated, or separated in another way.



Source: FT Extel

JP Morgan

Takeover work to bolster US bank

As the year-end corporate earnings season gets under way in the US, one of the first to report will be J.P. Morgan, the New York-based bank wbose results are dne on Thursday.

For Morgan, 1995 ended on a far stronger note than the year before. The rising interest rates and bond market slide of 1994 were capped in the final quarter of that year by Mexico's financial collapse. That resulted in earnings per share of only 96 cents for the last quarter, and an earnings weakness that carried into early 1995.

The latest figures should look different. US markets were far more hospitable for traders in 1995 - though big bond houses such as Morgan generally took fewer risks than in 1993, the last time the fixed income markets performed as strongly, and so will see lower trading profits than in that year.

On the other hand, the bank's push into the mergers and acquisitions business began to pay off as the US takeover market had its most active year ever. That resulted in jobs such as advising Westinghouse Electric on its purchase of CBS, one of the biggest deals completed in the fourth quarter.

As a result, Morgan's fourth-quarter profits should broadly match those of the three months before, when it reported earnings per share of $1.78 - though the outcome will depend in part on the level of profits the bank takes from its investment portfolio.

OTHER COMPANIES

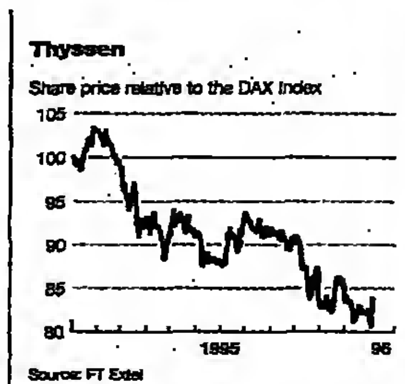
Uncertain times for German steel sector

Thyssen Stahl, Germany's biggest steelmaker, on Wednesday reports its results for 1995, a year during which the steel division belped propel Thyssen's group net profits to DM775m ($538m). Just how big the profits for the steel division will be remains something of a mystery because of Germany's nebulous accounting procedures. Thyssen Stahl reported net losses of DM448m for 1994. There has been talk recently of profits last year of more than DM400m, but Mr Alan Coats of Merrill Lynch, the US brokers, has forecast net earnings of DM326m.

After considerable restructuring during the recent steel recession, Thyssen Stahl is expected to benefit from the improved steel market this year. However, new orders were slowing in the second half of last year and part of the company's workforce is still working short time, both factors which heighten uncertainty about the outlook for the steel market this year.

The company will be cheered by the news from the US last week where Nucor, the leading US mini mill, raised prices by $10 per tonne. However, European steel prices remain higher than in the US and there is likely to be continuing pressure for further production cuts across the European industry, Thyssen included, if prices are to remain steady.

■ Ellis & Everard: The UK's largest chemicals distributor is expected to reveal a strong increase in interim pre-tax profits when it reports today. Analysts are forecasting profits of £11.5m to £12.5m ($17.7m-$19.3m) for the six months to October 31, against the £10.5m in the same period last year.



Source: FT Extel

■ Dixons: The UK's biggest electrical retailer is expected on Wednesday to report a strong increase in pre-tax profits – from £26.6m to between £38m and £41m ($58.5m-$63.1m) – for the first half to mid-November, plus double-digit sales growth over Christmas.

■ Matthew Clark: The UK drinks maker and distributor is expected on Thursday to report interim profits of £15.5m ($23.87m). This is more than double the previous first-half result, and reflects a full six-month contribution from Gaymer, the cider maker acquired for £105m in October 1994. The results should show that the targets set for the Gaymer acquisition have been met.

Companies in this issue

UK NEWS DIGEST

BICC to revamp US operations

BICC, the international cables and construction company, will today announce the latest stage of its £80m rationalisation programme with a restructuring of its US operations.

The company, which last autumn warned that sluggish demand for low voltage cables would dent its 1995 profits, has drawn up plans to merge its US utility cable and industrial cable operations into a single company.

About 4 per cent of BICC's 2,200-strong US workforce are expected to lose their jobs as part of the merger, involving the closure of the Pennsylvania headquarters of BICC Industrial Cables.

The move follows the announcement last November that BICC was closing its insulated cable plant at Yonkers, New York, and the Schönow cables factory in Germany.

Sluggish demand for industrial cables has persuaded other cable companies such as Delta of the UK and Alcatel Alsthom, the French transport and engineering group, to restructure their manufacturing operations.

BICC said the final stages of its rationalisation would be in place by the time it announces its full year figures next month. It is expected to announce pre-exceptional profits of about £110m, down from £128m last time.

After the £80m rationalisation charge and a £44m goodwill write-off on its housebuilding arm – sold last month for £60.7m – BICC is likely to report a pre-tax loss of up to £15m.

The results are likely to be accompanied by details of BICC's ambitions in the Pacific Rim and plans for further investment in fibre optic cables. *Tim Burt*

Sears in talks over shoe chains

Mr Stephen Hinchliffe, the Sheffield entrepreneur who has been building up a diverse portfolio of lossmaking retail and brand interests, is understood to be in early discussions with Sears over the possible purchase of the Dolcis, Saxone and Curtess shoe chains.

Sears is expected to elaborate on plans for the shoe chains when it makes a trading statement on Thursday. The statement is widely expected to lead to a substantial downgrade of analysts' forecasts for this year. While Selfridges' is expected to announce trading improvements, business has been much tougher for the shoe shops.

Sears has already indicated that it plans to accelerate the conversion of many of the high street shops to the new Shoe City and Shoe Express formats. However, it is understood to be reluctant to close those which it does not want to convert.

The discussions with Mr Hinchliffe are at a very early stage. Indeed, Sears is thought not yet to have decided whether any disposals should proceed.

The company has already done one deal with the Sheffield businessman, who in the last 18 months has purchased a series of lossmaking businesses, including Sock Shop and Salisburys. Sears sold 250 Freeman Hardy Willis shoe shops to his company, Facia, in the autumn for an undisclosed sum. *Peggy Hollinger*

Ashquay transformation

Ashquay Group has completed its transformation into a property company with the sale of its Unit Pallets offshoot to two directors.

The company also announced the acquisition of Hardcastle Homes, a residential property company, and a return to profits with £35,000 pre-tax (£120,000 losses) for the six months to September 30.

The company, which changed its name from Unit Group last October, is selling the pallet manufacturer to Mr Mike March, the company secretary, and Mr William Covey for £1.4m, of which £1.1m is payable in cash and the balance in preference shares. Net inter-company balances of £235,000 owing to Unit will be repaid at completion.

The disposal will remove net debt of £713,000 from Ashquay. The company reported total pre-tax losses of £2.83m in the last three years.

Hardcastle, in which three Ashquay directors have an interest, is being acquired for up to £2.77m. Ashquay is offering 5½ shares for each Hardcastle with a partial cash alternative of 4½ shares plus 40p. *Nigel Clark*

Wimpey rejects buy-out suggestion

By Robert Corzine

Wimpey, the UK's biggest housebuilder, yesterday rejected suggestions that its planned asset swap with fellow construction group Tarmac could be undermined by a rival management buy-out plan.

The company said it was "surprised and annoyed" at newspaper reports of dissension within the Wimpey board over the asset swap, the biggest ever realignment in the UK construction industry.

It blamed "a small number of disaffected employees" for trying to "derail" the deal with Tarmac. "The board is united" in wanting to see the asset swap go ahead, Wimpey said. "It has not considered any management buy-out and nor will it do so."

Under the proposed swap, Wimpey is to absorb Tarmac's housing division, taking its market share to 10 per cent and almost doubling its size in the private homes market.

Tarmac will get Wimpey's contracting and quarrying businesses, reinforcing its position as the UK's biggest supplier of aggregates and coated stone.

It will become the second largest building and civil engineering company with an annual construction turnover of about £1.75bn, compared with the market leader Amec's sales of £1.9bn last year.

The two companies expect that due diligence work on the swap will be completed in the next 10-14 days. "We are proceeding as planned," said Wimpey.

The asset swap has generally been welcomed by analysts, who say it will help the two companies to play to their traditional strengths.

Meggitt deputy chairman quits

By Tim Burt

Meggitt, the aerospace and electronics engineering company, is today expected to announce the resignation of its deputy chairman after deciding there was no longer a role for him.

Mr Nigel McCorkell has quit his £180,000 a year job after completing a non-core disposal programme aimed at transforming Meggitt from a diversified manufacturer into a more specialist engineering group.

Although the company said Mr McCorkell had not been ousted, some City analysts suggested the "timing was not of his own choosing". He was said to be negotiating a compensation package based on a three-year rolling contract.

Mr McCorkell's departure ends a long partnership with Mr Ken Coates, executive chairman at Meggitt. The two led a management buy-out of the Dorset-based group in 1984, when they left Flight Refuelling – another Dorset engineering company – to become managing director and finance director respectively.

His resignation on Friday followed a management overhaul last month in which Mr Mike Stacey was promoted from group managing director to chief executive.

At the time, the company said Mr McCorkell would continue as executive deputy chairman with responsibility for acquisitions and disposals.

Those disposals were largely completed just before Christmas with the sale of six subsidiaries involved in analytical instrumentation and fluid processing.

The non-core businesses were acquired by a management buy-out team for £22.8m: the company said that it would incur a £1.8m loss after writing £12m off goodwill on the disposals.

Meggitt was said to be negotiating the sale of Sunvic Group, the German controls business – the last of the businesses that it has decided to divest.

The disposal programme was announced last March, shortly after TT Group, the acquisitive conglomerate, acquired a 4.3 per cent stake in Meggitt. Although some analysts suggested the disposals were part of a bid defence, TT made no formal approach and subsequently sold its holding.

Severfield makes diversification

By Chris Tighe

Severfield-Reeve, one of the UK's biggest structural steelwork fabricators, will today announce its first diversification, into the manufacture and marketing of equipment designed to improve standards of cleanliness in the food industry.

Manabo UK, in which Severfield-Reeve has a 75 per cent stake, will make cleaning and disinfecting machines for knives and chainmail gloves, as well as the gloves themselves and knife sharpening machines.

The new venture comes at a time of strong growth in the company's core business of design, fabrication and erection of structural steelwork for steel-framed buildings.

Mr John Reeve, chairman, says Severfield-Reeve's trading performance in 1995 was "materially ahead" of market expectations, with pre-tax profits certain to exceed analysts' recent forecasts of £2m, up from £722,000 in 1994.

Prospects for 1996 are also considerably better than could have been foreseen a few months ago. He says this will be reflected in dividends for 1995 and 1996. The 1994 total pay-out was 1p.

Severfield-Reeve has emerged as one of the strongest survivors in its sector of the early 1990s recession, which removed about 250 businesses from the UK's constructional steelwork industry.

John Reeve (left) and John Severs, managing director: 'any company must grow to remain viable'

It begins 1996 with a record £12m order book, including structural steelwork contracts for the new semiconductor plants being built in north-east England by inward investors Fujitsu and Siemens.

Next Monday, at Severfield-Reeve's North Yorkshire site, a former Lancaster bomber base, a third production line comes on-stream, a £1.2m investment which is the company's third expansion in 18 months.

The new line is intended to enhance efficiency and capacity at a plant which already claims to be the largest single volume producer of steelwork in the UK, and the most efficient in Europe in output per employee.

Mr Reeve admits the leap from structural steelwork to food industry equipment may surprise some observers but, he says: "Any company must grow to remain viable. We are trying to broaden the company's horizons, while keeping tight control and imposing the same disciplines."

Manabo's products, intended for use in food retail premises and processing plants, have been developed in the Netherlands. Knives and chainmail gloves can be cleaned and disinfected in 10 to 20 seconds. Manabo UK will manufacture the products, for sale worldwide, from a new factory to be build at Severfield-Reeve's site.

Manabo (Holland) has distribution rights in mainland Europe and Scandinavia; Manabo UK, 25 per cent owned by its managing director Mr Richard Harley and his family, will market them elsewhere.

Scottish Amicable growth

By Alison Smith, Investment Correspondent

A sharp rise in single premium iovestment business, which more than doubled to £333m driven by the popularity of a guaranteed personal equity plan, was the main factor behind the rise in new business figures published by Scottish Amicable, the mutual life assurance group.

The group's annual premium new business totalled £88.2m last year, 8.5 per cent higher than in 1994, while lump sum policy sales rose by almost half to £505.9m.

Though the increase is less marked when investment business is excluded, any rise in sales of individual life and pensions policies is against the trend for the sector as a whole.

Apart from investment business, the greatest growth was recorded in savings and protection policies, which rose by two thirds to £9.6m in regular premiums. Despite the sluggish state of the housing market, mortgage business rose 11 per ceot to £38.1m.

However, sales of both company and personal pensions were hit, with overall pensions business 13 per cent lower than in 1994 – lump sum pensions were particularly depressed.

BAA plans venture on Continent

By Peggy Hollinger

BAA, the UK airports group which is pursuing expansion plans in the US and Australia, is set for its first venture on the European Continent with plans to take a controlling stake in the company operating Naples airport.

BAA will today sign a letter of intent with Gesac, the operating company which has a concession to run the airport until 2012, indicating its interest in buying a stake of about 75 per cent. It is estimated that the deal, if it proceeds, could cost BAA in the region of £20m.

BAA said the letter of intent simply marked the opening of official negotiations with Gesac's shareholders. Gesac is 47 per cent owned by the City of Naples, 47 per cent by the province of Campagna and 5 per cent by the Italian airline Alitalia. The talks were likely to continue until the middle of the year, BAA said.

The UK company remains commmitted to its expansion plans elsewhere. It recently coocluded a deal to run Indianapolis airport, and said it expected the next international deal to emerge in the US.

It is also planning to bid for one or more airports in Australia which may come up for privatisation at the end of this year. The Australian programme could mean substantial investment for BAA, in the regioo of up to £300m, which could be funded through a debt issue.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Hitachi(Japan)/LG Semicon (S Korea)	JV	Semiconductors	£280m	Chip venture
Philip Morris (US)	Lacta (Brazil)	Food	£108m	Cash/debt offer
Ashanti Goldfields (Ghana)	Cluff Resources (UK)	Mining	£80m	Unconditional
Calor(UK)/SHV(N'lands)	SDG(Brazil)	Gas	£42m	Joint stake
Danisco (Denmark)	Groko (Netherlands)	Food	£29m	Campbell sale
Tessenderlo (Belgium)	Hickson Kerley (US)	Chemicals	£22m	Hickson sale
Sema (France/UK)	Tibet (France)	Computer servs	£12.1m	Outstanding buy
Invesco (UK)	AIM (HK)	Fin services	£6.4m	Buy from Aetna
Metallgesellschaft (Germany)	Unit of Brent Int'l	Chemicals	£3m	Dynamit deal
Pechiney (France)	Capolo (Italy)	Packaging	n/a	Option exercise

COMPANIES AND FINANCE

WestLB looks to London for growth

Germany's third largest bank is keen to build foreign business, writes Andrew Fisher

Westdeutsche Landesbank Girozentrale, Germany's biggest public sector bank, is used to controversy.

Its holdings in non-banking companies have led to accusations of empire building, and commercial banks have charged that its capital base has been unfairly buttressed with regional housing finance assets. WestLB has also extended its influence through strategic stakes in other public sector banks.

However, in one area – investment banking, where it aims to be among the European leaders – the bank is proceeding with a low-profile doggedness that has set it apart from most German rivals.

Instead of following the acquisition route, it is concentrating on the development of West Merchant Bank, its London-based subsidiary.

Mr Friedel Neuber, 60, the chairman, said: "We are working on the basis that we can build this [investment banking] up ourselves through our merchant bank in London."

Not that Düsseldorf-based WestLB has ruled out purchases. "We do not exclude niche acquisitions. We have looked at some houses in recent years. It's a question of our own culture and how to manage another bank. Building up an investment banking operation in our own bank structure is harder [than buying something]. But we think we shall succeed," said Mr Neuber.

WestLB's reluctance to consider significant acquisitions in the sector contrasts with the willingness of other German banks to pay high prices for suitable names. Dresdner Bank paid DM2bn ($1.37bn) last year for Kleinwort Benson, the UK merchant bank, and has just agreed the purchase of RCM Capital Management of the US for $300m.

Bayerische Vereinsbank had hoped to buy Oppenheimer Group, a US broking, investment banking and fund management company, for an estimated $500m. However, the deal came unstuck over US regulatory problems.

Meanwhile, Deutsche Bank is forcing the pace of integration of its investment banking business with Morgan Grenfell of the UK, which it bought in 1989.

ASSETS	DMbn
1991	230
1992	275
1993	333
1994	379
1995	400

Source: Company accounts

WestLB has already benefited from the internal disruption at Deutsche Morgan Grenfell by attracting away a team of derivatives experts in New York for West Merchant Bank.

The laconic Mr Neuber said more such appointments from other banks were likely as West Merchant – which aims to double staff of about 300 – was developed as the nucleus of WestLB's investment banking operations.

As Germany's third largest bank, with total assets of about DM400bn – behind Deutsche Bank and Dresdner Bank – WestLB has long been keen to build up foreign business and follow its big corporate and state clients abroad. The bank, owned by the state of North Rhine-Westphalia and regional savings associations, is already represented in 35 countries. A third of its operating profits come from outside Germany.

To help develop its business in eastern Europe, it has recently agreed a co-operation deal with Bank Austria, which is being reinforced with a 9 per cent stake in the largest Austrian bank.

WestLB also has a co-operation pact with Cassa di Risparmio delle Provincie Lombarde (Cariplo), which has a similar arrangement with Bank Austria.

Such deals look ahead to the prospect – strongly supported by Mr Neuber – of European Monetary Union, which forms an important part of the thinking behind WestLB's investment banking strategy. The German bank is strong in fixed-income D-Mark business, said Mr Neuber. "But we have to prepare for the time when the D-Mark is no longer there and a Euro-currency brings about changed trading conditions."

Under WestLB's plans, its D-Mark-based business will continue to be handled from Düsseldorf, where the strategic investment banking decisions will also be made. Foreign currency transactions will be centred on London. Mr Neuber says the bank is thereby meeting the needs of its clients, mainly big German and European companies.

"Our customers' requirements have changed in recent years, with traditional loan financing giving way to a variety of other innovative products.

Friedel Neuber: Preparing for the D-Mark no longer being there

Our large customers want access to such facilities through London."

Thus, West Merchant Bank has developed its business in non-D-Mark bonds derivatives, equities, swaps and other instruments, as well as advising on mergers and acquisitions and new issues.

Even without an acquisition, WestLB could spend several million D-Marks, taking all staff, advisory, computer and other costs into account.

It is also keen to build up its presence in asset management. "This has a special strategic significance for us," Mr Neuber said. "In Germany, we have a strong position but around 95 per cent of this is D-Mark related."

The bank is still pondering whether to centre asset management growth on West Merchant Bank or handle this separately. Nor has it decided how fund management should be split between Düsseldorf and London. To build up its business specifically in asset management, Mr Neuber says acquisition is a possibility – "if a chance comes along, we shall consider it".

As well as serving its customers, through amplifying its investment banking activities, WestLB also intends to enhance its profits. Mr Neuber is optimistic about investment banking earnings for 1995. "These will be considerably better than in 1994, even including our investment spending."

Overall profits are also firmer. After a first-half rise of 83 per cent in operating profits to DM472m – mostly reflecting a recovery in financial trading profits – he is also hoping for better second-half figures. In 1994, operating profits edged up 3 per cent to DM813m, helped by asset disposals.

Showing that big does not always mean boastful, Mr Neuber says with extreme caution: "I hope we can stay at this level."

Chrysler to continue overseas expansion

By Haig Simonian in Detroit

Chrysler, the third biggest US car company, should continue its steady but belated push beyond its home markets by selling at least 30 per cent more vehicles outside North America and Mexico this year.

Foreign sales figures for 1995 have not yet been published but Mr Tom Gale, the head of international operations, said registrations were likely to have risen almost 30 per cent to more than 200,000 units outside North America and Mexico.

Only about 10 per cent of Chrysler's total sales, amounting to 2.16m vehicles, in 1995 were sold abroad – well below the corresponding figure for General Motors and Ford. However, Mr Gale predicted that foreign registrations, which have climbed about 20 per cent a year since the group returned to foreign markets in 1988, were set to continue rising.

Last year's biggest sales increase came in Europe, where registrations jumped by 27 per cent to 84,500 units. The scale of the rise "surprised even us in view of the virtually static market", he said.

The surge stemmed from new models and a steady expansion of the company's European network. Mr Gale said Chrysler had now achieved its target of having almost 900 dealers, but there would be some changes to bring the network up to desired quality level.

Chrysler is also building a $100m assembly plant in Argentina, to make up to 20,000 Grand Cherokees a year. Mr Gale said it was also considering setting up a plant in Brazil, where the market has been booming. The company is still some way from a decision on the Brazilian project, but indicated there could be strong demand for pick-up trucks and even medium-sized cars.

International sales should also be buoyed by last year's decision to take control of Japanese distribution by buying out Chrysler's local partner.

NEWS DIGEST

BHP wins control of Magma Copper

BHP, the Australian resources group, has won control of Magma Copper Company, the US metals producer, through a tender bid worth A$3.2bn (US$2.4bn). BHP said its offer of US$28 a share for Magma had gained acceptances representing about 87 per cent of outstanding Magma stock.

BHP now plans to proceed with completion of the merger, which will require a meeting of Magma shareholders to secure approval before the Australian company can move to 100 per cent control. The Magma takeover will create the world's second largest copper producer (after Chile's Codelco), accounting for about 10 per cent of western world output.

Bruce Jacques, Sydney

Merrill Lynch to cut staff

Merrill Lynch is expected to make some staff cuts in its corporate and institutional client group in the near future. However, the reductions are thought to be around 250 people, less than 1 per cent of the total workforce of more than 45,000. Merrill declined to comment. The departures are likely to be across the range of personnel in the CIGC area, such as sales and trading of debt and equity, municipal bonds and investment banking.

Maggie Urry, New York

Olivetti rights fully subscribed

Olivetti's L2,257bn ($1.42bn) rights issue was almost fully subscribed, the Italian computer group confirmed. The company said 99.76 per cent of the offer had been taken up. The remaining 0.24 per cent would be sold on the market. The successful result was heralded by Mr Carlo De Benedetti, Olivetti's chairman, and by the markets before Christmas. When the capital increase was announced in September, many analysts predicted the shares would end in the hands of the underwriters.

Mr De Benedetti has said as much as 70 per cent of the group's capital could belong to foreign investors following the rights issue. The proceeds of the capital increase, underwritten by Lehman Brothers and a group of Italian banks, will be used to restructure and relaunch Olivetti as a broad-based information technology and telecommunications group.

Andrew Hill in Milan

German computer retailer ahead

Vobis, one of Europe's biggest computer retailers, which belongs to Germany's Kaufhof group, reported a 16 per cent rise in sales to DM3.05bn ($2.12bn) and said it expected pre-tax profits of about DM50m, similar to a year earlier. The results were significantly better than those of Escom, another German group vying with Vobis to become Europe's biggest computer retailer. Mr Theo Lieven, Vobis chief executive, described the market as difficult, but said Vobis had fared better because of "circumspect stock handling and stable financial and personnel policies".

Michael Lindemann, Bonn

Court thwarts CanWest bid

A British Columbia court has thrown a spanner into CanWest Global Communications' bid to create a Canadian national TV network through its proposed acquisition of Vancouver-based WIC Western International Communications. The court ruling, which resolved a long-running dispute over control of WIC, makes it impossible for CanWest to fulfil the conditions of its C$636m (US$470m) bid, which was due to expire on January 12.

WIC welcomed the ruling. The Griffiths family, which owns 62 per cent of WIC's class A voting shares, had rejected CanWest's bid.

Bernard Simon, Toronto

Goldman Sachs to buy big US bowling alley chain

By Richard Waters in New York

Goldman Sachs is close to buying the US's biggest operator of bowling alleys, a deal which signals just how much Wall Street's buy-out habits have changed since the 1980s. The US investment bank is expected to announce soon, perhaps later this week, that it is paying around $1bn for AMF, which owns more than 200 bowling alleys in the US and 70 elsewhere.

Goldman is believed to view the company as a platform for further expansion, both in the US and abroad. It was not clear late last week whether only the bank's partners would put up the equity for the buy-out, or whether the purchase was being made with some of its investment clients.

The deal is in marked contrast to the sort of buy-outs that characterised Wall Street during the 1980s. Then, most buyers employed high levels of debt and planned to reorganise their acquisitions and sell them on quickly, either in whole or in pieces.

When the buy-out market collapsed at the end of the decade, a number of investment banks were left nursing big losses on bridge loans used to finance leveraged deals, leading to a general retreat from the business.

Those banks still in the business have since tended to take stakes in industries which are consolidating or ones offering prospects for growth. Most deals have also involved lower levels of debt, and many have required buyers to make further investments to expand.

One result has been to concentrate the business in the hands of fewer institutions. Morgan Stanley, for instance – which invests its own money alongside some of its big clients – has targeted industries ranging from food processing to insurance, which it believes are short of capital and present opportunities for private buyers prepared to build on their investments.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Gerard Baker in Tokyo

Munificence: is the party over?

Financial markets received the news of the departure of the latest Japanese prime minister on Friday with customary sang-froid. In Japanese political drama the actors may change with bewildering rapidity, but the plot evolves rather more slowly.

Only when the bureaucratic-industrial-political nexus that controls the country decides that the objective facts of history demand a change of course do the policies change; and it is a rare moment when one of those occasions coincides with a mere change of prime minister.

Yet some believe 1996 could well prove to be just one of those moments. The administration of Mr Ryutaro Hashimoto, the man most likely to ascend to the top job this week, could well coincide with something Japan has not seen for more than four years - real, sustained, economic growth.

If an incipient recovery, now a couple of quarters old, proves durable this time (and it has flattered to deceive on two occasions in the past three years), the implications for financial markets in 1996 will be dramatic. For the last few years all the energies of government have been bent towards engineering that elusive recovery. In 1995 those efforts moved up a gear or two, from the enthusiastic to the downright frantic as the authorities finally went for broke: producing the largest fiscal deficit seen in decades and reducing the cost of everyone's borrowing to almost zero.

Though recovery itself can be expected to have a favourable impact on profits and equities at least, the effects of the concomitant policy adjustments (witness the US in 1994) can on occasions be even more spectacular. So any sign of a change in the authorities' stance will be pounced upon especially eagerly this year.

It is hard to see how the fiscal stance can change much from the current profligacy. The budget for 1996-97 has been agreed by the cabinet (though it has yet to pass a possibly hostile parliament), with the deficit set at ¥200bn. But for reasons too familiar to be discussed here, the effects of the dumping of even such a surfeit of bonds on the markets are likely to be much smaller than the impact of any monetary policy changes.

So the real question is what will happen to interest rates? On this score, it is worth reminding ourselves of the scale of monetary easing induced by the Band of Japan last year.

If they gave awards, Oscar-like, to central banks for their contribution to global economic performance every year, the Bank of Japan would have been the Schindler's List of 1995. The effects of its munificence were felt not just in domestic equity, bond and real product markets, but in foreign currency and overseas securities markets as well. From about April last year the bank produced and directed a startling story of easy money. The effects of its munificence were felt not just in domestic equity, bond and real markets, but also in foreign currency and overseas securities markets.

Short-term interest rates were driven into the zero zone while hefty currency intervention helped bring the yen down from its vertiginous heights of the summer; foreign currency reserves rose by more than $50bn - 35 per cent in the next nine months. Even long-term interest rates were manipulated downwards in some unusual bond market operations by the bank.

The fixed-income markat soared to new heights; a shrinking bond-equity yield ratio helped the stock market's second half rally and the yen fell by more than 15 per cent. For good measure, the hefty currency intervention meant the bank was one of the factors supporting US treasuries.

Can we expect much of this to unwind in 1996 if the recovery is a genuine one? That certainly seemed to be a wide-spread fear at the end of last week. In the first two days of the trading year, the bond market was hit hard by a bout of new year economic optimism, and the yield on the 10-year benchmark bond rose above 3 per cent for the first time in four months. If fourth quarter GDP figures due next month prove to be as buoyant as the bond market seems to be expecting, the Bank of Japan may well decide that the party is over.

Fixed-income markets would certainly suffer, but so too after a lag, might equities, though strengthening recovery would probably help the yen lower.

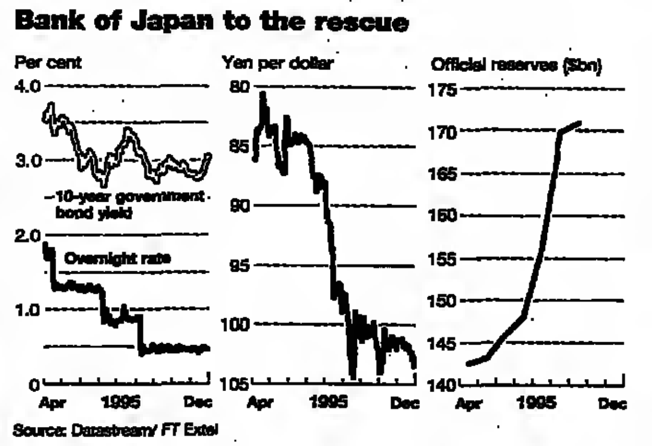
But no-one seriously expects any economic recovery in 1996 to be anything other than gentle-paced. And even if it proved stronger, there are several reasons why the Bank of Japan would be in no immediate hurry to change course.

Prices - of goods, services, and perhaps most important, land - are still flat to falling, and it will be a long time before demand pressures produce a genuine inflation problem. Longer-term, by 1997 something will have to be done about the fiscal condition - the bank will be anxious to offset any tightening there with a continuing relaxed monetary stance.

But most important, the authorities still have their eyes very firmly fixed on a fragile banking sector. Indeed, some would argue that the principal force behind last year's accommodation was a desire to produce a US-style banking recovery through a yield-curve steepening and debt monetisation. For all the talk of banking recovery, all but a handful of the stronger banks will need much more help of this sort - and the stronger banks have never been the authorities' principal concern. The official language that is used to describe the banks' condition suggest no early change in the policy.

Of course, when it comes to moving markets, changes in interest rates are more important than their level. The relaxation of policy in 1995 went so far that it cannot be repeated. But neither is it set to be reversed soon. No prime minister will dispute that.

Bank of Japan to the rescue



Source: Datastream/ FT Extel

Total return in local currency to 4/1/96

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.00	0.07	0.09	0.20	0.13
Month	0.49	0.04	0.35	0.55	0.88	0.58
Year	7.75	2.63	5.88	7.00	10.31	7.94
Bonds 3-5 year						
Week	0.03	-0.65	0.36	0.44	0.99	-0.11
Month	0.58	-1.52	0.85	1.74	3.50	0.41
Year	15.63	11.27	16.30	15.81	18.42	14.90
Bonds 7-10 year						
Week	-0.23	-0.84	0.62	0.43	1.81	0.00
Month	0.44	-2.13	1.14	2.15	5.75	0.74
Year	21.91	15.02	20.15	20.23	23.58	17.98
Equities						
Week	0.5	4.1	2.0	2.9	0.5	1.2
Month	0.4	9.0	3.9	8.0	0.4	1.8
Year	37.0	7.1	12.4	8.0	37.0	25.8

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit.
The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMMODITIES — Richard Mooney

Cotton gathering in Nashville

Pests and drought devastated cotton yields last year, sending prices to record highs in the spring. So seminars on biotechnologies to fight such blights are expected to attract swarms of participants at this week's 1996 Beltwide Cotton Conference.

"[Biotechnology] will take something close to centre stage this year," O.A. Cleveland, a cotton marketing specialist with Mississippi State University, told the Reuters news agency last week.

The five-day conference opens today in Nashville, Tennessee.

About 5,500 industry experts, including farmers, ginners, textile manufacturers and scientists, are expected to attend, said the National Cotton Council, which sponsors the event.

Speakers will range from academic experts and entomologists, to an executive with the Monsanto chemical group, whose Bollgard gene, which protects cotton plants from insects, will be available to farmers this year.

Other highlights will be production and price projections by leading merchant William B. Dunavant, chairman and chief executive of Dunavant Enterprises, and outlook reports from the private sector and government agencies.

"The conference will certainly want to hear what Mr Dunavant has to say. That will be one of the highlights," Mr Cleveland said.

Production and export projections for China in particular are likely to draw crowds, as reports of higher yields in several of its provinces have hit the market recently.

And while a new US Farm Bill remains a casualty of the federal government shutdown, the NCC will hold a seminar tomorrow to discuss current legislation.

● Other events this week include the publication today of Germany's cocoa grindings figures for the final quarter of 1995. On Wednesday the International Primary Aluminium Institute will publish stocks data for last November; and the same day sees the resumption of Australian wool sales.

Economics Notebook / Robert Chote

Middle class insecurity

Governments across the industrialised world have spent much of the 1990s learning to live with middle class disenchantment. Many ruling parties have discovered that this electorally pivotal group has been feeling increasingly insecure, discontented and ill-disposed to those who govern.

Governments have been forced to pay more attention to the concerns of the middle class in part because a growing proportion of their populations have been choosing to describe themselves as members of it. So it is somewhat ironic that, in countries like the US, many economists have argued that the middle class is shrinking as a by-product of rising income inequality.

This rise in inequality - common to most industrialised countries in recent years - can be depicted in several ways. A typical technique is to imagine a list comprising every household, ranked by income, starting with the richest and ending with the poorest. In 1979 a US household a tenth of the way down the list had an income 6.2 times larger than that of a household nine-tenths down the list; within 10 years this multiple had grown to 7.1. During the same period Britain experienced a similar trend; inequality rose by more, but from a less unequal starting point.

But measures which look only at the rich and the poor cannot tell us how the rise in inequality has affected the middle class. This issue was addressed in a paper by Richard Burkhauser of Syracuse University, et al, presented to the American Economic Association's annual conference in San Francisco this weekend.* Any definition of the middle class is inevitably arbitrary, but Burkhauser argued for a lower limit of twice the official US poverty level ($25,000 a year for a family of four in 1989 prices) and an upper limit of about 4.7 times ($59,000 for a family of four).

So what happened to the middle class between 1979 and 1989, both of which were peak years in the economic cycle? The proportion of US households falling within the study's definition of the middle class fell from 45.1 per cent in 1979 to 41.5 per cent in 1989, confirming that it has indeed been shrinking.

But where have these disappearing middle class households gone? The proportion of households with incomes below twice the poverty level dropped slightly, from 34.3 to 33 per cent. The proportion of households with incomes more than 4.7 times the official poverty level meanwhile rose sharply, from 20.6 to 25.6 per cent.

The study concluded therefore that "the great increase in income inequality over the decade of the 1980s in the US was not primarily the result of the rich getting richer and the poor getting poorer, but rather the rapid and unequal income gains in the middle of the income distribution".

In other words, hundreds of thousands of middle class households became upper class ones. This migration took place among households with working heads - whatever their ethnic background - and among retired households. The real losers were families of working age reliant on social security benefits. Their inflation adjusted incomes dropped by 15 per cent between 1979 and 1989, while those of the population as a whole rose by 10 per cent. Previous studies have attributed more of the rise in inequality to middle-class households dropping nearer to or below the poverty line.

The trends in Britain were much the same. The only significant difference was that British families reliant on social security benefits did not do as badly in absolute terms as their US counterparts. Their inflation-adjusted incomes were flat on average over the decade, while those of the UK population as a whole rose by 29 per cent.

This study begs an obvious question: if US inequality has risen because middle class households have been bettering themselves, what are they complaining about? It may be that they are more insecure because they find themselves moving up and down the income distribution less predictably than they used to. They may also be earning more in part because fear of job loss is "encouraging" them to work harder.

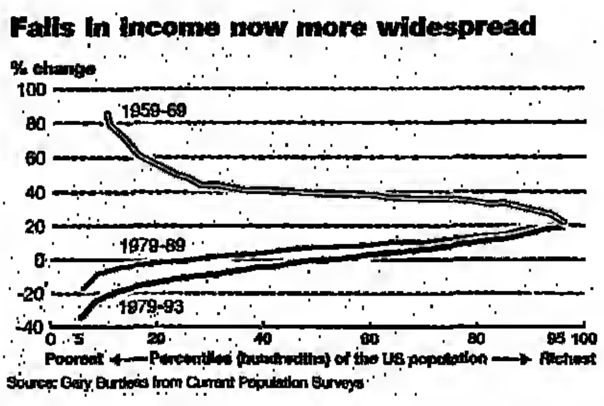
This discontent may also owe a lot to the latest recession and the relatively sluggish recovery which has followed it. This is not captured by Burkhauser's deliberately peak-to-peak comparison between 1979 and 1989. Gary Burtless, of the Brookings Institution, calculated, for example, that a quarter of households - the poorest quarter - saw their incomes drop between 1979 and 1989, but that this proportion rose to more than half when he extended the period of comparison to 1993.

In addition, older households may be depressed because they are harking back to the "you've never had it so good" era of the 1960s. As the graphic illustrates, the middle classes typically enjoyed income gains of about 40 per cent during that decade, compared to less than 10 per cent in the 1980s. They also had the reassurance that the incomes of less well-off households were rising even faster than theirs were.

Studies of this sort demonstrate that comparisons of the levels and distribution of income depend crucially on the time period over which they are studied. This in turn suggests that the longer-term causes of middle class discontent owe more to insecurity in employment and housing markets - and perhaps fears for future provision of social security - than to trends in incomes.

Where in the world is the middle class? by Richard Burkhauser, Syracuse University, et al. 1996.

Falls in income now more widespread



Source: Gary Burtless from Current Population Surveys

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 5 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY JANUARY 4 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	194.42	2.3	186.63	128.87	145.30	173.66	2.2	3.85	194.71	186.35	130.59	147.44	173.58	195.49	157.95	166.08
Austria (26)	183.47	5.1	175.17	121.61	137.11	136.99	5.5	1.52	178.42	170.75	119.66	135.10	134.97	199.28	187.48	180.68
Belgium (34)	213.69	2.2	204.03	141.65	159.70	155.69	2.8	3.36	211.03	201.96	141.53	159.78	155.78	213.69	166.52	166.52
Brazil (28)	149.74	8.6	142.87	99.26	111.81	267.94	8.6	1.64	149.83	143.38	100.48	113.48	268.12	160.23	86.06	152.22
Canada (101)	153.14	3.2	146.22	101.51	114.45	150.53	2.7	2.48	152.46	145.90	102.25	115.44	149.51	153.14	121.81	127.91
Denmark (33)	294.02	1.8	280.72	194.89	219.73	222.38	2.2	1.47	292.76	280.18	196.38	221.70	224.25	295.99	246.19	255.18
Finland (24)	182.85	-2.3	174.58	121.20	136.66	166.74	-2.2	1.91	186.47	178.45	125.06	141.20	171.51	276.11	171.13	188.82
France (100)	182.60	1.8	174.34	121.04	136.48	141.05	2.5	3.09	181.72	173.90	121.87	137.60	141.78	181.17	157.79	162.02
Germany (60)	167.93	2.6	160.34	111.32	125.50	125.50	3.0	1.81	165.32	158.21	110.88	125.18	125.18	167.93	139.11	140.15
Hong Kong (58)	407.69	5.2	389.26	270.25	304.69	404.84	5.2	3.54	408.53	390.97	273.96	309.35	405.68	408.53	277.40	315.64
Ireland (16)	262.41	2.7	250.54	173.94	196.11	230.68	2.7	3.32	262.50	251.22	176.05	198.77	231.95	262.50	204.97	210.07
Italy (59)	73.40	-0.4	70.09	48.65	54.85	86.59	-0.8	1.69	74.23	71.04	49.79	56.21	88.03	82.71	65.45	75.69
Japan (482)	157.99	2.0	150.84	104.72	118.07	104.72	3.7	0.73	156.16	149.47	104.75	118.27	104.75	164.82	136.95	153.91
Malaysia (108)	510.43	5.2	487.36	338.35	381.47	501.68	5.8	1.65	510.49	488.55	342.37	386.56	503.31	561.96	398.16	472.34
Mexico (18)	1157.94	11.8	1105.58	767.55	865.37	9583.82	8.8	1.45	1154.44	1104.81	774.25	874.18	9548.59	1247.33	647.81	1232.34
Netherland (18)	276.97	1.6	264.44	183.59	206.99	203.46	2.0	3.21	275.60	263.75	184.84	208.69	205.12	277.96	214.99	215.12
New Zealand (14)	81.69	2.5	77.96	54.15	61.05	68.04	2.1	4.39	82.46	78.91	55.30	62.44	69.82	85.49	69.74	69.74
Norway (33)	238.47	3.1	227.69	158.08	178.22	205.17	3.4	2.04	236.73	226.55	158.76	179.25	205.98	243.79	202.76	210.11
Singapore (44)	426.22	4.7	406.95	282.53	318.54	279.50	5.3	1.44	424.30	406.07	284.57	321.30	279.77	426.22	313.94	375.84
South Africa (45)	408.78	6.1	390.29	270.95	305.49	324.22	5.6	3.65	404.95	387.54	271.59	306.64	321.41	408.78	281.06	331.14
Spain (38)	168.48	2.0	160.84	111.67	125.90	154.45	1.7	3.88	167.44	160.25	112.30	126.79	155.43	168.81	124.10	129.26
Sweden (47)	318.71	2.4	305.26	211.93	238.94	313.05	2.2	1.92	320.72	306.94	215.10	242.86	315.54	324.31	232.23	237.76
Switzerland (40)	239.55	1.5	228.72	158.79	179.02	172.14	2.2	1.55	237.35	227.15	159.18	179.73	173.14	239.55	182.35	164.81
Thailand (46)	182.70	8.6	174.44	121.11	136.54	178.96	2.8	2.28	183.58	175.69	123.12	139.01	180.04	184.55	130.15	158.98
United Kingdom (206)	231.72	0.5	221.25	153.60	173.18	221.25	0.5	4.18	231.79	221.82	155.45	175.52	221.82	232.09	181.53	192.72
USA (636)	250.88	-0.1	239.53	166.30	187.49	250.88	-0.1	2.25	251.56	240.75	168.72	190.49	251.56	253.50	188.41	188.41
Americas (783)	229.26	0.1	218.90	151.97	171.34	192.65	0.1	2.24	229.82	218.94	154.13	174.02	193.10	231.18	173.84	174.18
Europe (735)	203.53	1.3	194.33	134.91	152.11	172.55	1.8	3.04	202.72	194.01	135.98	153.50	173.27	204.32	187.08	187.57
Nordic (137)	280.70	1.8	268.01	186.07	209.78	237.86	1.8	1.85	281.49	269.39	188.79	213.15	240.30	295.02	222.22	229.14
Pacific Basin (834)	169.20	2.4	181.55	112.16	126.45	115.61	3.8	1.15	167.66	160.45	112.44	126.95	115.68	171.87	145.93	161.06
Euro-Pacific (1569)	183.39	1.9	175.10	121.56	137.05	137.30	2.8	2.03	182.16	174.32	122.17	137.93	137.61	183.39	154.73	163.68
North America (737)	244.80	0.0	233.73	162.27	182.95	244.11	-0.1	2.26	245.41	234.86	164.59	185.83	244.70	246.93	184.88	184.66
Europe Ex. UK (529)	183.66	1.8	175.35	121.74	137.26	145.81	2.2	2.40	182.49	174.65	122.39	138.18	146.36	184.61	148.53	150.34
Pacific Ex. Japan (352)	276.13	4.4	263.66	183.04	206.37	243.65	4.5	3.03	276.48	264.59	185.43	209.36	244.13	276.48	211.19	233.01
World Ex. US (1761)	184.71	2.1	176.35	122.43	138.04	141.31	2.9	2.07	183.48	175.59	123.05	138.93	141.56	184.71	155.42	164.60
World Ex. UK (2191)	202.00	1.2	192.89	133.92	150.98	168.09	1.7	1.93	201.40	192.74	135.07	152.51	168.44	202.03	163.46	169.38
World Ex. Japan (1915)	231.18	0.9	220.73	153.24	172.77	218.21	1.0	2.59	231.18	221.24	155.05	175.05	218.81	232.30	181.60	182.69
The World Index (2397)	204.65	1.2	198.40	135.69	152.94	172.85	1.6	2.14	204.08	195.31	136.87	154.53	173.24	204.65	165.92	171.44

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGE WITH EFFECT 8/1/96: Deletion, Midlantic Corp (USA). CONSTITUENT CHANGES DURING THE WEEK ENDING 5/1/96: Additions: Merita A & Merita B (both Large Cap Index) (both Finland). Deletions: First Fidelity Bancorp (USA), Gesco Corp (USA), Kansallis-Yhtyma (Finland), Unitas A & Unitas B (both Finland), and West One Bancorp (USA). Name changes: North West Water to United Utilities (UK), San Diego Gas & Electric to Enova Corp (USA) and Western Mining to WMC Ltd (Australia).

EMERGING MARKETS

HK: gateway to China

By Louise Lucas in Hong Kong

Hong Kong may not be an emerging market in everybody's book but it is certainly acting like one. The predicted surge of overseas funds was unleashed in the first week of the new year, propelling the Hang Seng index to a two-year high, keeping pace with its less developed Asian peers.

The classic signs of a bull market are clear to see. On Thursday and Friday of last week daily volumes reached six and eight month highs of HK$8.7bn and HK$9.5bn respectively. Since last year there have been a rash of covered warrant issues and big blue chips, including Henderson Land, the property developer, and Citic Pacific, the Hong Kong-listed arm of Beijing's premier investment vehicle, have been tapping the market for cash.

For many fund managers Hong Kong, which gained 23 per cent during the course of last year and a further 4.5 per cent in the first week of 1996, is the suitably sanitised and internationalised way to play China.

In July next year, when sovereignty passes to China, Hong Kong will again become an emerging market by more conventional reckonings: as part of China (albeit with a high degree of autonomy for the first 50 years) its GDP per capita, currently higher than that of Australia, will decline considerably.

John Ross, portfolio strategist for Fidelity Investments in the UK, is one fund manager who uses Hong Kong to access China growth. "We like the Hong Kong market. It's a lower risk way of playing the growth which we foresee in China," he says.

Some believe last week's rise was no more than the traditional rally up to Chinese new year on February 19. Thereafter, they predict the big flows of money will be absorbed by less developed Asian markets.

Others, like Jardine Fleming Securities, are more bullish. Colin Bradbury, the regional strategist, reckons last year's outperformance may continue for at least the first half of 1996. He bases his optimism on Hong Kong's position at the beginning of the economic cycle (which, on Jardine's reckoning, bottomed out last year) and the fact that China's economic gurus appear to have engineered a soft landing.

China's credit squeeze hit Hong Kong companies which sold less consumer goods and were unable to proceed with infrastructure projects because of the dearth of Beijing awarded guarantees.

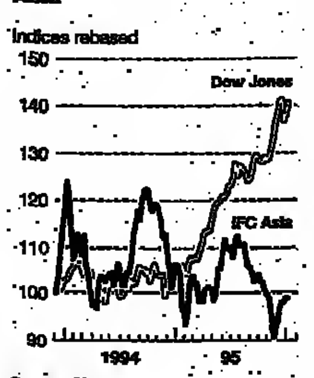
Optimism for a strong performance this year has also been bred by hopes of a lower interest rate environment, which would kick-start the sluggish property and retail sectors.

Mr Ross further cites an improved quality of earnings, reasonable value and the fact that many international funds are still underweight. Hong Kong is on a p/e of about 12 times 1996 earnings (against 19 for Asia ex-Japan's next biggest market, Malaysia) and corporate earnings are forecast to grow some 11 per cent this year and 15 per cent next.

There is another factor, which stands to be the making or breaking of the market this year: the resumption of sovereignty by China. 1996 is a crucial year in terms of the handover, and investors will be watching closely to determine China's willingness to honour commitments laid out in the Sino-British agreements.

Mr Bradbury sees 1997 as another plus: "This constant nagging worry has depressed the value of the Hong Kong market and there's a whole constituency of investors out there waiting to be converted to the view that perhaps 1997 is not a bad thing for Hong Kong." Notwithstanding, hiccups on the way are likely to trip up share prices with them.

Asia



Source: FT Extel

Taiwan hopes for sunshine after the rain

By Laura Tyson in Taipei

Investors hoping the new year would usher in a better performance in the stock market than last year's abysmal showing met severe disappointment.

Equities began the year with a precipitous plunge as investors took fright after parliament unexpectedly reinstated a capital gains tax late last week. On Friday the market fell more than 6 per cent although it recovered slightly on Saturday.

The news is not likely to get much better during the first half of the year. The market will be at the mercy of political and economic woes. The first presidential elections are in March, an event which will dampen investor confidence and could provoke a hostile reaction from China. The economy is mired in a slump, despite solid growth in manufacturing and exports.

"It's going to be a bumpy ride, but it won't be as bad as last year," said Mr John Nelson, head of research at Jardine Fleming Securities Taiwan. "The liquidity situation should pick up and assuming relations between Taiwan and China can be sorted out amicably, the market should perform reasonably well in the second half of the year."

Taiwan fell 31 per cent in dollar terms last year, one of the worst showings among world stock markets, as sentiment suffered batterings ranging from threatening Chinese military exercises to a spate of financial scandals and runs on credit unions.

Historically the ruling Nationalist party, or Kuomintang (KMT), has been able to employ a variety of levers to share prices at crucial junctures but its ability to exert this sort of influence effectively is weakening.

Nowhere is this reflected more clearly than in parliament. The Nationalists have until now enjoyed majority control of the legislature, allowing the party to push controversial legislation through parliament. But in legislative elections last month the Nationalists effectively lost control. "We can't rely on the KMT to support the market any longer," said Mr Thomas Chien, general manager of Wardley James Capel's Taiwan office.

In a taste of what lies ahead, opposition parties seized the opportunity after the new year holidays when many KMT lawmakers were absent to pass a capital gains tax of 14 per cent. "The industry is stunned and amazed by this, and no one knows exactly what it will mean for the market," said Mr Nelson. The last time the government introduced a capital gains tax in the late 1980s share prices tumbled by a quarter in a few weeks.

But Mr Chieo cautioned that while the measure will be difficult to rescind at this stage, the finance ministry has substantial leeway as to how and when the tax is implemented.

The ultimate fate of the tax is far from clear, however, particularly as the Nationalists are keen to avoid jeopardising the party's prospects in the presidential elections. Mr Lee Teng-hui, Taiwan's president, called the passage of the tax "careless" and said it could harm the economy. A group of lawmakers have called for a review of that measure on Tuesday and the review of a proposed cut in the share transaction tax on Thursday.

For foreign investors, the news is not all bad as monetary authorities are slowly continuing to liberalise regulations restricting investment from outside. The government has announced that individual foreigners and corporates will be permitted to buy shares directly as early as mid-year, up to an annual limit of $5m and $10m respectively. Currently only foreign institutions that have obtained approval from the central bank and securities regulators are permitted to buy listed shares.

In addition, authorities have pledged to lift a ceiling on investment by any single foreign institution from $200m to $400m. It was also announced recently that curbs on inward and outward remittances of investment capital, disliked by investors, would be loosened significantly. Nevertheless, when it comes to volatility and uncertainty, Taiwan rarely disappoints and this year promises to be no exception.

India poised to overcome depressants

By Mark Nicholson in New Delhi

Last year was no vintage for Indian equities. By December the Bombay 30-share Sensex index was a fifth off its 1995 high, scaled in January, and more than third lower than its record peak of 4,643 of September 1994. The market entered 1996 with the Sensex idling at just over 3,000.

It was a year of depressants and scandal. After the primary market binge of 1994, fed by an enthusiastic rush of newly arriving foreign portfolio investment, the market became overhung with scrip and dogged by political uncertainty over the outcome of this year's general election. It suffered from a liquidity squeeze as the government tightened the monetary reins on inflation. It also found itself mired in a series of scandals, including a broker default which closed the BSE for three days and, at the end of last year, controversy and mystery over duplicate and switched shares in Reliance Industries, one of the most heavily traded stocks.

Besides the directly dampening effect of these scandals, they also served to underline the persisting inefficiency and opacity of the paper-based share trading, settlement and registration system, one of the chief reasons for a cooling of foreign institutional investor interest.

One measure of the market's languor was the fall in new issue volumes, with just Rs112bn raised in the primary market between April and October 1995, down 40 per cent on the period a year earlier.

Will 1995 be any better? Most analysts believe it will, though not immediately. The chief reason being the general election, expected in April or May. In seven of the last eight elections the market has been subdued before the poll and has risen markedly afterwards – regardless of the outcome. And while most pundits expect this year's poll to bring either a weak government or a bung parliament, the banishment of the political uncertainty which bung over the market last year is universally expected to trigger a rally.

Moreover, with the broader market now down 40 per cent on a year ago and trading at about 10 times prospective 1996 earnings overall, Indian equities look increasingly good value.

CURRENCY MARKETS — Philip Gawith

Focus on Washington politics

The dollar is the story and the game is being played out in Washington DC. After a promising start to the year, a dollar rally ran out of steam at the end of last week amid heightened uncertainty about the ongoing political wrangling over the US budget.

Most analysts and investors are bullish, with good reason, about the dollar, but it is by no means one way traffic. Traders report active two-way business, and there are certainly some natural dollar sellers, such as Japanese exporters. There were also reports last week of French and German companies being heavy sellers of dollars, while the two largest macro-hedge funds were seen on opposite sides of the market.

With the release of government data in some disarray owing to the partial government shut-down, the budget dispute may take on an even greater importance than it might otherwise have done. At the moment the market is clearly of the view that progress on the budget is good for the dollar, while further delay can only retard any rally.

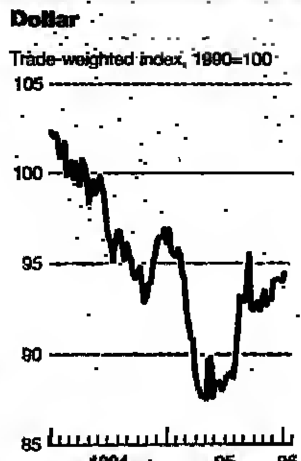
It is possible that the dollar could continue to make ground against the yen, while standing still against the D-Mark. The second half of last year saw sharp dollar rally against the yen, unmatched by any similar move against the D-Mark.

Japan's declining trade surplus and portfolio outflows are both factors which support a stronger dollar. Some observers also believe that the likely election of Mr Ryutaro Hashimoto as the new prime minister will be negative for the yen.

In the summer he was quoted calling for a weaker yen, around Y108-110.

The progress of the US budget talks will have a big influence on how European currencies performance. A backdrop of slowing economic growth and the perception that the D-Mark is overvalued had led many investors to buy higher yielding currencies like the lira, peseta and Swedish krona. The durability of these currencies' rallies comes into question, tbongh, wben dollar weakness buoys the D-Mark.

Dollar



Source: Bank of England

ING Baring Securities Emerging Markets Indices

Index	5/1/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	154.36	+6.80	+4.61	+9.51	+6.57	+6.80	+4.61
Latin America							
Argentina (20)	100.35	+7.58	+8.17	+15.19	+17.84	+7.58	+8.17
Brazil (21)	201.36	+15.26	+8.20	+13.61	+7.25	+15.26	+8.20
Chile (12)	196.81	+1.14	+0.58	+3.96	+2.05	+1.14	+0.58
Mexico (25)	80.95	+7.36	+10.00	+9.65	+13.53	+7.36	+10.00
Peru(17)	1,128.55	+59.59	+5.57	+154.80	+15.90	+59.59	+5.57
Latin America (95)	131.99	+8.05	+7.19	+11.89	+9.90	+8.85	+7.19
Europe							
Greece (16)	97.48	-0.49	-0.50	-0.84	-0.86	-0.49	-0.50
Portugal (18)	119.50	+3.05	+2.62	+5.21	+4.56	+3.05	+2.62
Turkey (21)	87.09	+4.29	+5.18	-6.15	-6.59	+4.29	+5.18
Europe (55)	127.42	+5.89	+4.84	+8.14	+6.83	+5.89	+4.84
Asia							
Indonesia (26)	143.90	+5.25	+3.79	+0.19	+0.13	+5.25	+3.79
Korea (23)	130.93	-5.98	-4.37	-13.87	-9.58	-5.98	-4.37
Malaysia (23)	235.74	+8.37	+3.86	+9.96	+4.41	+8.37	+3.68
Pakistan (11)	71.37	-2.22	-3.02	+0.77	+1.09	-2.22	-3.02
Phillippines (11)	271.88	+12.71	+4.91	+18.64	+7.36	+12.71	+4.91
Thailand (25)	270.15	+18.26	+7.25	+22.85	+9.24	+18.26	+7.25
Taiwan (32)	121.65	-9.17	-7.01	+1.73	+1.45	-9.17	-7.01
Asia (151)	207.50	+4.45	+2.19	+6.87	+3.42	+4.45	+2.19

All indices in $ terms, January 7th 1992=100. Source, ING Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 5, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7375.33	4750.00	3304.35	4529.63
Albania	(Lek)	143.70	[illegible]	[illegible]	[illegible]
Algeria	(Dinar)	81.4095	52.4309	36.4737	[illegible]
Andorra	(French Fr)	7.6463	4.9245	3.4257	4.6960
	(Sp Peseta)	187.908	121.020	84.1878	115.406
Angola	(Kwanza)	8637.97	5692.00	3958.65	5427.93
Antigua	(E Carib $)	4.1923	2.7000	1.8783	2.5747
Argentina	(Peso)	1.5520	0.9996	0.6954	0.9532
Armenia	(Dram)	624.180	402.000	279.652	383.350
Aruba	(Florin)	2.7794	1.7900	1.2452	1.7070
Australia	(A$)	2.0855	1.3430	0.9343	1.2807
Austria	(Schilling)	15.7001	10.1115	7.0341	9.6424
Azerbaijan	(Manat)	6893.99	4440.00	3088.70	[illegible]
Azores	(Port Escudo)	232.245	149.575	104.052	142.636
Bahamas	(Bahama $)	1.5527	1	0.6957	0.9536
Bahrain	(Dinar)	0.5854	0.3770	0.2623	0.3595
Balearic Is	(Sp Peseta)	187.908	121.020	84.1878	115.406
Bangladesh	(Taka)	62.5739	40.3000	28.0349	[illegible]
Barbados	(Barb $)	3.1230	2.0113	1.3992	1.9180
Belarus	(Rouble)	17856.1	11500.0	[illegible]	[illegible]
Belgium	(Belg Fr)	45.8714	29.5430	20.5517	28.1724
Belize	(B $)	3.1054	2.0000	1.3913	1.9072
Benin	(CFA Fr)	764.630	492.450	342.574	469.604
Bermuda	(Bermudian $)	1.5527	1	0.6957	0.9536
Bhutan	(Ngultrum)	54.9967	35.4200	24.6400	33.7766
Bolivia	(Boliviano)	7.6704	4.9400	3.4365	4.7108
Botswana	(Pula)	4.3465	2.8011	1.9486	2.6712
Brazil	(Real)	1.5093	0.9721	0.6762	0.9270
Brunei	(Brunei $)	2.2095	1.4230	0.9899	1.3570
Bulgaria	(Lev)	111.826	72.0200	50.1009	68.6786
Burkino Faso	(CFA Fr)	764.630	492.450	342.574	469.604
Burma	(Kyat)	8.8597	5.7060	3.9694	5.4413
Burundi	(Burundi Fr)	398.386	256.564	178.479	244.661
Cambodia	(Riel)	3571.21	2300.00	1600.00	2193.30
Cameroon	(CFA Fr)	764.630	492.450	342.574	469.604
Canada	(Canadian $)	2.1077	1.3575	0.9443	1.2945
Canary Is	(Sp Peseta)	187.908	121.020	84.1878	115.406
Cp. Verde	(CV Escudo)	128.829	82.9700	57.7183	79.1208
Cayman Is	(CI $)	1.2860	0.8282	0.5761	0.7898
Cent Afr Rep	(CFA Fr)	764.630	492.450	342.574	469.604
Chad	(CFA Fr)	764.630	492.450	342.574	469.604
Chile	(Chilean Peso)	630.785	406.250	282.609	387.409
China	(Yuan)	12.9191	8.3204	5.7881	7.9344
Colombia	(Col Peso)	1550.37	998.500	694.609	952.177
Comoros	(Fr)	576.324	371.175	258.209	353.955
Congo	(CFA Fr)	764.630	492.450	342.574	469.604
Costa Rica	(Colon)	297.746	191.760	133.398	182.864
Côte d'Ivoire	(CFA Fr)	764.630	492.450	342.574	469.604
Croatia	(Kuna)	8.3351	5.3682	3.7344	8.1101
Cuba	(Cuban Peso)	1.5527	1	0.6957	0.9536
Cyprus	(Cyprus £)	0.7063	0.4549	0.3165	0.4338
Czech Rep.	(Koruna)	41.3267	26.6160	18.5155	25.3812
Denmark	(Danish Krone)	8.6338	5.5605	3.8682	5.3025
Djibouti Rep	(Djib Fr)	248.432	160.000	111.304	152.577
Dominica	(E Carib $)	4.1923	2.7000	1.8783	2.5747
Dominican Rep	(D Peso)	20.6665	13.3100	9.2591	12.6925
Ecuador	(Sucre)	4560.28o	2937.00	2043.13	2800.74
	(Sucre)	4109.22s	2646.50	1841.04	2523.72
Egypt	(Egyptian £)	5.2815	3.4015	2.3663	3.2437
El Salvador	(Colon)	13.6017	8.7600	6.0939	8.3536
Equat'l Guinea	(CFA Fr)	764.630	492.450	342.574	469.604
Estonia	(Kroon)	17.9648	11.5700	8.0487	11.0332
Ethiopia	(Ethiopian Birr)	9.0057	5.8000	4.0348	5.5309
Falkland Is	(Falk £)	1	0.6440	0.4480	0.6142
Faroe Is	(Danish Krone)	8.6338	5.5605	3.8682	5.3025
Fiji Is	(Fiji $)	2.2277	1.4347	0.9981	1.3682
Finland	(Markka)	6.7467	4.3451	3.0227	4.1435
France	(Fr)	7.6463	4.9245	3.4257	4.6960
Fr. Cty/Africa	(CFA Fr)	764.630	492.450	342.574	469.604
Fr. Guiana	(Local Fr)	7.6463	4.9245	3.4257	4.6960
Fr. Pacific Is	(CFP Fr)	139.715	89.9817	62.5960	85.8072
Gabon	(CFA Fr)	764.630	492.450	342.574	469.604
Gambia	(Dalasi)	15.2941	9.8500	6.8522	9.3930
Germany	(D-Mark)	2.2319	1.4375	1	1.3706
Ghana	(Cedi)	2251.42	1450.00	1008.70	1382.73
Gibraltar	(Gib £)	1	0.6440	0.4480	0.6142
Greece	(Drachma)	366.746	236.200	164.313	225.242
Greenland	(Danish Krone)	8.6338	5.5605	3.8682	5.3025
Grenada	(E Carib $)	4.1923	2.7000	1.8783	2.5747
Guadeloupe	(Local Fr)	7.6463	4.9245	3.4257	4.6960
Guam	(US $)	1.5527	1	0.6957	0.9536
Guatemala	(Quetzal)	9.2344	5.9473	4.1373	5.6714
Guinea	(Fr)	1548.04	997.000	693.565	950.746
Guinea-Bissau	(Peso)	28004.5	18036.0	12546.8	17199.3
Guyana	(Guyanese $)	216.602	139.500	97.0435	133.028
Haiti	(Gourde)	29.5013	19.0000	13.2174	18.1185
Honduras	(Lempira)	15.6668	10.0900	7.0191	9.6219
Hong Kong	(HK $)	12.0094	7.7345	5.3805	7.3757
Hungary	(Forint)	211.874	136.455	94.9252	130.124
Iceland	(Icelandic Krona)	101.842	65.5900	45.6278	62.5471
India	(Indian Rupee)	54.9967	35.4200	24.6400	33.7766
Indonesia	(Rupiah)	3552.58	2288.00	1591.65	2181.85
Iran	(Rial)	4658.10u	3000.00	2086.96	2860.82
Iraq	(Iraqi Dinar)	0.4828o	0.3109	0.2163	0.2965
	(Iraqi Dinar)	3881.75m	2500.00	1739.13	2384.02
Irish Rep	(Punt)	0.9688	0.6240	0.4341	0.5950
Israel	(Shekel)	4.8562	3.1276	2.1757	2.9825
Italy	(Lira)	2452.88	1579.75	1098.96	1506.46
Jamaica	(Jamaican $)	56.6736	36.5000	25.3913	34.8067
Japan	(Yen)	162.824	104.865	72.9496	100
Jordan	(Jordanian Dinar)	1.1009	0.7090	0.4932	0.6761
Kazakhstan	(Tengo)	99.9008	64.3400	44.7583	61.3551
Kenya	(Kenya Shilling)	86.9513	56.0000	38.9565	53.4020
Kiribati	(Australian $)	2.0855	1.3430	0.9343	1.2807
Korea North	(Won)	3.3383	2.1500	1.4957	2.0503
Korea South	(Won)	1223.84	788.200	548.313	751.633
Kuwait	(Kuwaiti Dinar)	0.4648	0.2994	0.2083	0.2855
Laos	(New Kip)	1428.48	920.000	640.000	877.319
Latvia	(Lats)	0.8386	0.5401	0.3757	0.5151
Lebanon	(Lebanese £)	2476.56	1595.00	1109.57	1521.00
Lesotho	(Maluti)	5.6345	3.6288	2.5244	3.4604
Liberia	(Liberian $)	1.5527	1	0.6957	0.9536
Libya	(Libyan Dinar)	0.5520	0.3555	0.2473	0.3390
Liechtenstein	(Swiss Fr)	1.7998	1.1591	0.8063	1.1053
Lithuania	(Litas)	6.2108	4.0000	2.7826	3.8144
Luxembourg	(Lux Fr)	45.8714	29.5430	20.5517	28.1724
Macao	(Pataca)	12.4049	7.9892	5.5577	7.6186
Macedonia	(Denar)	61.0218	39.3004	27.3394	37.4771
Madagascar	(MG Fr)	6358.31	4095.00	2848.70	3905.02
Madeira	(Port Escudo)	232.245	149.575	104.052	142.636
Malawi	(Kwacha)	23.8262	15.3450	10.6748	14.6331
Malaysia	(Ringgit)	3.9625	2.5520	1.7753	2.4336
Maldive Is	(Rufiya)	18.2753	11.7700	8.1878	11.2240
Mali Rep	(CFA Fr)	764.630	492.450	342.574	469.604
Malta	(Maltese Lira)	0.5480	0.3529	0.2455	0.3365
Martinique	(Local Fr)	7.6463	4.9245	3.4257	4.6960
Mauritania	(Ouguiya)	209.289	134.790	93.7670	128.537
Mauritius	(Maur Rupee)	28.4610	18.3300	12.7513	17.4796
Mexico	(Mexican Peso)	11.7540	7.5700	5.2661	7.2188
Miquelon	(Local Fr)	7.6463	4.9245	3.4257	4.6960
Moldova	(Leu)	7.0260	4.5250	3.1478	4.3151
Monaco	(French Fr)	7.6463	4.9245	3.4257	4.6960
Mongolia	(Tugrik)	714.522	460.180	320.125	438.831
Montserrat	(E Carib $)	4.1923	2.7000	1.8783	2.5747
Morocco	(Dirham)	13.2539	8.5300	5.9381	8.1400
Mozambique	(Metical)	15371.7	9900.00	6886.96	9440.71
Namibia	(S A Rand)	5.6345	3.6288	2.5244	3.4604
Nauru Is	(Australian $)	2.0855	1.3430	0.9343	1.2807
Nepal	(Nepalese Rupee)	84.2240	54.2500	37.7391	51.7332
Netherlands	(Guilder)	2.4991	1.6095	1.1197	1.5348
N'nd Antilles	(A/Guilder)	2.7794	1.7900	1.2452	1.7070
New Zealand	(NZ $)	2.3642	1.5225	1.0592	1.4519
Nicaragua	(Gold Cordoba)	12.3558	7.9576	5.5357	7.5884
Niger Rep	(CFA Fr)	764.630	492.450	342.574	469.604
Nigeria	(Naira)	34.1594o	22.0000	15.3044	20.9794
	(Naira)	133.300m	85.8500	59.7217	81.8672
Norway	(Nor. Krone)	9.8419	6.3386	4.4095	6.0445
Oman	(Rial Omani)	0.5981	0.3852	0.2680	0.3673
Pakistan	(Pak. Rupee)	53.1269	34.2158	23.8023	32.6284
Panama	(Balboa)	1.5527	1	0.6957	0.9536
Papua New Guinea	(Kina)	2.0766	1.3367	0.9313	1.2766
Paraguay	(Guarani)	3047.18	1962.50	1365.22	1871.45
Peru	(New Sol)	3.6264	2.3355	1.6247	2.2271
Philippines	(Peso)	40.7118	26.2200	18.2400	25.0036
Pitcairn Is	(£ Sterling)	1	0.6440	0.4480	0.6142
	(NZ $)	2.3642	1.5225	1.0592	1.4518
Poland	(Zloty)	3.8499	2.4796	1.7249	2.3645
Portugal	(Escudo)	232.245	149.575	104.052	142.636
Puerto Rico	(US $)	1.5527	1	0.6957	0.9536
Qatar	(Riyal)	5.6536	3.6411	2.5329	3.4722
Reunion Is. de la	(F/Fr)	7.6463	4.9245	3.4257	4.6960
Romania	(Leu)	4130.18	2660.00	1850.43	2536.59
Russia	(Rouble)	0.9922o	0.6390	0.4445	0.6094
	(Rouble)	7257.32m	4674.00	3251.48	4457.10
Rwanda	(Fr)	341.594	220.000	153.044	209.794
St Christopher	(E Carib $)	4.1923	2.7000	1.8783	2.5747
St Helena	(£)	1	0.6440	0.4480	0.6142
St Lucia	(E Carib $)	4.1923	2.7000	1.8783	2.5747
St Pierre	(French Fr)	7.6463	4.9245	3.4257	4.6960
St Vincent	(E Carib $)	4.1923	2.7000	1.8783	2.5747
San Marino	(Italian Lira)	2452.88	1579.75	1098.96	1506.46
Sao Tome	(Dobra)	2727.94	1756.90	1222.19	1675.39
Saudi Arabia	(Riyal)	5.8236	3.7506	2.6091	3.5766
Senegal	(CFA Fr)	764.630	492.450	342.574	469.604
Seychelles	(Rupee)	7.6083	4.9000	3.4087	4.6727
Sierra Leone	(Leone)	1412.96	910.000	633.044	867.782
Singapore	($)	2.2095	1.4230	0.9899	1.3570
Slovakia	(Koruna)	45.9910	29.6200	20.6052	28.2458
Slovenia	(Tolar)	201.663	129.879	90.3504	123.853
Solomon Is	($)	5.3451	3.4424	2.3947	3.2827
Somali Rep	(Shilling)	4068.08	2620.00	1822.61	2498.45
South Africa	(Rand)	5.6345	3.6288	2.5244	3.4604
Spain	(Peseta)	187.908	121.020	84.1878	115.406
Spanish Ports in N Africa	(Sp Peseta)	187.908	121.020	84.1878	115.406
Sri Lanka	(Rupee)	83.6129	53.8500	37.4609	51.3517
Sudan Rep	(Dinar)	128.098	82.5000	57.3913	78.6725
Surinam	(Guilder)	652.134	420.000	292.174	400.515
Swaziland	(Lilangeni)	5.6345	3.6288	2.5244	3.4604
Sweden	(Krona)	10.2689	6.6142	4.6012	6.3073
Switzerland	(Fr)	1.7998	1.1591	0.8063	1.1053
Syria	(£)	65.0582	41.9000	29.1478	39.9561
Taiwan	($)	42.4182	27.3190	19.0045	26.0510
Tanzania	(Shilling)	822.932	530.000	368.696	505.412
Thailand	(Baht)	39.1663	25.2375	17.5565	24.0667
Togo Rep	(CFA Fr)	764.630	492.450	342.574	469.604
Tonga Is	(Pa'anga)	2.0855	1.3430	0.9343	1.2807
Trinidad/Tobago	($)	8.8659	5.7100	3.9722	5.4451
Tunisia	(Dinar)	1.4752	0.9501	0.6609	0.9060
Turkey	(Lira)	91997.6	59250.0	41217.4	56501.2
Turks & Caicos	(US $)	1.5527	1	0.6957	0.9536
Tuvalu	(Australian $)	2.0855	1.3430	0.9343	1.2807
Uganda	(New Shilling)	1565.12	1008.00	701.217	961.236
Ukraine	(Karbovanets)	279330.9	179900.0	125147.8	171553.9
U A E	(Dirham)	5.7029	3.6729	2.5551	3.5025
United Kingdom	(£)	1	0.6440	0.4480	0.6142
United States	(US $)	1.5527	1	0.6957	0.9536
Uruguay	(Peso Uruguayo)	11.0087	7.0900	4.9322	6.7611
Vanuatu	(Vatu)	177.241	114.150	79.4087	108.854
Vatican	(Lira)	2452.88	1579.75	1098.96	1506.46
Venezuela	(Bolivar) (1)	449.701o	289.625	201.478	276.188
Venezuela	(Bolivar) (1)	548.015m	352.944	245.526	336.569
Vietnam	(Dong)	17097.8	11011.5	7660.17	10500.6
Virgin Is-British	(US $)	1.5527	1	0.6957	0.9536
Virgin Is-US	(US $)	1.5527	1	0.6957	0.9536
Western Samoa	(Tala)	3.9179	2.5233	1.7553	2.4062
Yemen (Rep of)	(Rial)	77.6351o	50.0000	34.7826	47.6804
Yemen (Rep of)	(Rial)	217.978r	140.000	97.3913	133.506
Yugoslavia	(New Dinar)	7.4107(2)	4.7728	3.3202	4.5514
Zaire Rep	(Zaire)	18477.1	11900.0	8278.26	11347.9
Zambia	(Kwacha)	1531.69	986.465	686.237	940.700
Zimbabwe	($)	14.4479	9.3050	6.4731	8.8733

Special Drawing Rights January 4, 1996 Utd Kingdom £0.951284 Utd States $1.47430 Germany DM2.13434 Japan Y155.023 European Currency Unit Rates January 5, 1996 Utd Kingdom £0.843949 Utd States $1.30787 Germany DM1.86821 Japan Y137.261

Abbreviations. (a) Free rate, (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Venezuelan Official rate devalued on 11/12/95. Market rate derived from Brady bond trading. (2) Yugoslavian Dinar devalued on 26/11/95; Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 834 4365.
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Friday, January 5, 1996

ATHENS STOCK EXCHANGE Jan 2nd - Jan 5th 1996 — GREECE

				GDP (USD bn) 95e	108.72
ASE INDEX	905.82	P/E 95e (after tax)	12.6	Per Capita Income (USD)	10,804
%Chg (Prev. Wk)	-0.91	P/E 94 (after tax)	18.2	Inflation Rate (% Y.O.Y, December 95)	8.10
Yearly High	996.75	EPS GROWTH (%) 95e	22.5	12 Month T-bill (%, end of December issue)	14.20
Yearly Low	782.22	P/CE 95e/94	7.8/10.0	1-Month Athibor (%)	14.43
WEEKLY VOLUME (USD m)	94.27	P/BV 95e/94	2.8 / 3.3	ORD-US$	237.20
%Chg (Prev. Wk)	109.82	Div. Yield (%) 95e/94	5.0 / 4.4	A.S.E. Market Capitalisation - 5/1/96 (USD bn)	16.78
1 Y Wk Avg. (USD m)	115.16			IPOs & Rights Issues (USD m Jan'95-29 Dec '95)	384.89

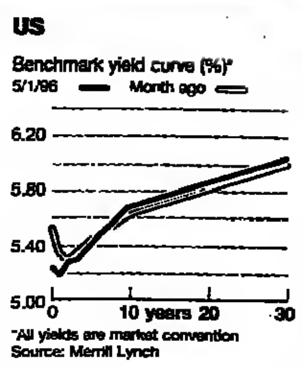
WORLD BOND MARKETS: This Week

NEW YORK — Maggie Urry

Having broken through the 6 per cent barrier the previous week, the yield on the 30-year Treasury moved back above that psychologically important level as budget talks in Washington descended into squabbling.

A low point in the wrangling was reached on Thursday when one Republican raised the possibility of impeaching Mr Robert Rubin, the Treasury Secretary. That in turn raised the spectre again of a government default, sending a shiver through the bond market. By the end of the week, the long bond was yielding 6.042 per cent.

While the threat of impeachment were seen as a political ploy, the rhetoric suggested that an agreement on budget deficit reductions was further off than the market had hoped. And while many fixed-income specialists still believe that a slowing economy will bring lower interest rates and higher bond prices during 1996, they are



less certain then they were.

The lack of reliable economic statistics during the government shutdown has added to uncertainty. Even with government employees returning to work today, it could be some time before the data releases catch up.

That is making investors less optimistic about the chances of another cut in interest rates at the Federal Reserve's next policy-making meeting at the end of this month.

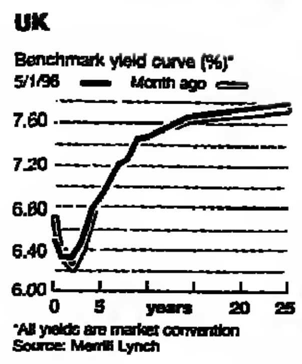
LONDON — Antonia Sharpe

After the political jitters last week following the defection of Tory MP Miss Emma Nicholson, gilts are set to trade modestly higher this week.

A firmer tone should allow the spread over Germany to narrow to below 160 basis points after reaching 166 points last week, as the market discounts the latest political risk. The spread stood at 163 basis points on Friday, a rise of 10 points on the week.

Dealers will be looking for figures to support anecdotal evidence of strong retail sales at Christmas. Mr Don Smith of HSBC Markets said Tuesday's release of British Retail Consortium retail sales data for December, and the CBI's distributive trades survey for December, due on Friday, should provide clues about the strength of consumer spending.

The other main economic indicators will be industrial production and manufacturing production data for November, due on Thursday. The market



expects rises of 0.5 per cent and 0.1 per cent, respectively.

Analysts also expect some steepening in the yield curve. The curve flattened in late December as the market priced in news that the Bank of England planned to auction gilts with a maturity of 2000 to 2002 in January and March.

Mr Andrew Roberts of UBS noted that the spread between five-year gilts and bunds was now at a four-year high of 220 basis points.

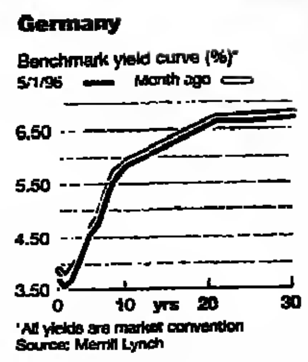
FRANKFURT — Andrew Fisher

The German bond market was ruffled on Friday by the resignation of Russian foreign minister Mr Andrei Kozyrev and continuing doubts about the US budget impasse, but the overall mood remained positive.

The Bund future just failed to break through 100 per cent, ending the day above the 99.40 level. But dealers expect the advance to be resumed.

The new DM15bn government loan with a 6 per cent coupon was well received and thought likely to trade this week between 100 and 100.5 per cent.

The market will be closely watching Tuesday's unemployment statistics – expected to show a further increase in the numbers out of work – and the provisional gross domestic product data for 1995, likely to be subdued. Last week's industrial production figures for November showed a flat trend overall, with a dip in manufacturing.



This week is also expected to see a return to variable-rate securities repurchase (repo) tenders by the Bundesbank.

It surprised markets on Friday with a quick five-day repo at 3.75 per cent – the level fixed after last month's interest rate cuts – to prevent a liquidity shortage.

This Wednesday's repo could see the start of a gradual decline in rates, bringing them down to 3.5 per cent by March, said IBJ Research.

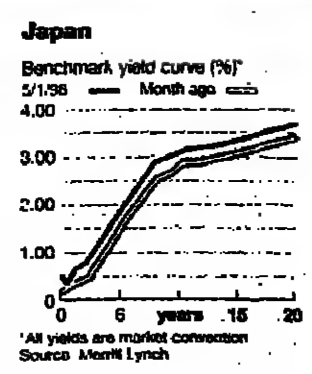
TOKYO — Emiko Terazono

The yen's weakness and stronger stock prices, which pushed the long bond yield above the 3 per cent level for the first time in four months last week, are expected to continue to weigh on the government bond market.

The yen's weakening implies higher corporate profit growth, which would provide support for the economy, in turn prompting buying of stocks.

Bond prices may see continued selling pressure due to the yen's easing this week. The current account balance for November, to be released at the start of the week, is expected to reveal a further decline in Japan's trade surplus, and is likely to prompt further selling of the yen.

Investors are also concerned about profit-taking by domestic institutions ahead of the March fiscal year-end book-closing. Moreover, the government is scheduled in January to conduct an extra 10-year government bond auction, which are usually held only



once a month, causing worries about over-supply.

Political developments, with the premiership being handed to Mr Ryutaro Hashimoto, the leader of the Liberal Democratic Party, are expected to be minimal, with monetary and financial policies unlikely to change drastically.

However, caution over increased supply due to a rise in public spending ahead of a general election could place downward pressure on bonds.

Syndicated loans

Banks in search of higher yielding deals

With bank loan interest rates at their lowest for many years, and not seen rising in the short term, dealers in the international syndicated loans market are gearing up for another busy year.

However, the refinancing boom that provided some 40 per cent of last year's record volumes is likely to abate this year, and in their search for yield many banks are expected to dedicate a larger portion of their loan portfolios to higher yielding transactions, including structured deals such as those backing leveraged or management buy-outs and acquisitions, and emerging market loans.

"Banks have more capital than they know what to do with – there's a lot more demand for assets than there is supply," one banker said. "Those borrowers who needed to access the market have done so in the last 12 months and have locked away their funds for the next five years. Since rates aren't going to fall much further, they're not likely to seek refinancing any time soon."

He expected competition among lenders to keep loan rates down, "unless some extraneous shock forces them up".

To boost the return on their large pools of capital, many banks may be tempted to move out along the credit spectrum to pick up what yields are left.

"Our biggest job this year will be to get the risk/reward balance right," said a dealer.

One sign of the pressure on loan rates came last week with the latest survey of the UK corporate loan market by Standard & Poor's/Loan Pricing Corporation. It showed that interest and fee levels fell in December, after firming slightly in November.

During the autumn, a flood of acquisition-related financing worth some £10bn had kept loan margins underpinned: in December, however, there was less demand for buy-out loans, allowing rates to slip, the report says.

Also, expectations that Japanese banks would stage a wholesale withdrawal from the market due to the rise in their funding rates did not come to fruition, with most of them demonstrating their firm commitment to the market in recent months.

According to S&P/LPC, borrowers with a double-A profile were charged an average of 15.75 basis points over Libor in December, with commitment fees of 7.25 basis points; that compares with 16.75 and 7.5 basis points, respectively, in November.

Spreads on loans to companies rated single-A fell to 21 basis points from 22.25 points in November, and fees slipped to 9.16 basis points from 9.5 points. Triple-B rated companies paid an average spread of 24.15 basis points over Libor against 25 points in November, and fees fell to an average 11.15 basis points, from 12.19 points in November.

Meanwhile, the UK market is off to a busy start, with deals underwritten before the holidays going into general syndication and new mandates being awarded.

BZW, the investment banking arm of Barclays Bank, last week was awarded the mandate to arrange a loan facility for **Railtrack**, the company which has taken over British Rail's track, stations and signalling and is to be floated on the stock market in May.

Details are not yet available, but market talk is of a facility of £1bn or more, to be put in place before the flotation.

Elsewhere, BZW and N.M. Rothschild are arranging a £300m loan for BPB Industries, the gypsum and plasterboard manufacturer. The facility was said to have a three-tiered pricing structure linked to utilisation, with the highest interest rate at 20 basis points over Libor.

British Land was reported to have mandated NatWest Markets and Royal Bank of Scotland to arrange a £250m loan, which is expected to go into general syndication this week.

Last week saw the signing of a £100m loan in four, five and six-year tranches to the West Bromwich Building Society via BZW and Bayerische Landesbank.

Another building society loan, a £150m five-year facility for EBS of the Republic of Ireland, arranged by BZW and Westdeutsche Landesbank, has attracted heavy demand and is expected to be increased to £250m.

Among international loans, a $100m three-year facility for Telefónica de Argentina was launched last week by arrangers Chase Manhattan and Dresdner Bank. The loan pays 250 basis points over Libor in the first year, 287.5 points over in the second and 350 points over in the third.

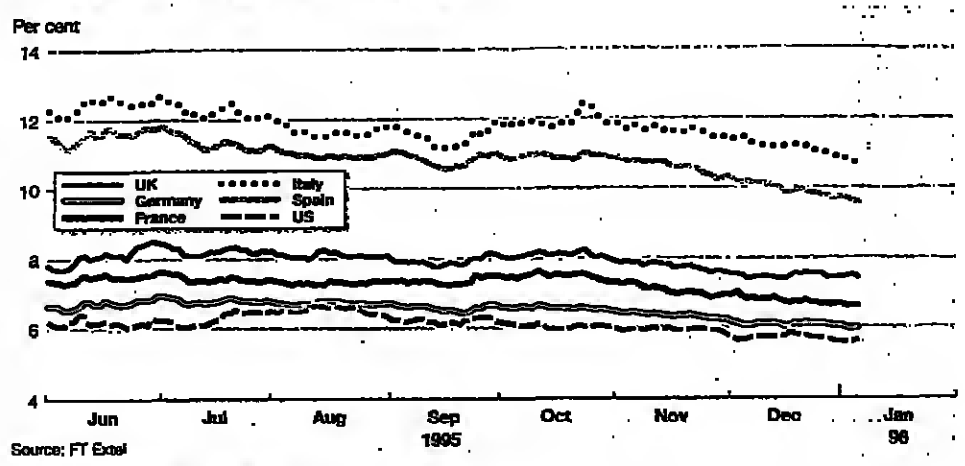
CTC, the Chilean telecoms company, is expected to launch a $150m five-year bullet loan today arranged by Citibank.

Meanwhile, the First National Bank of South Africa has mandated Fuji Bank to arrange the refinancing of the $200m one-year loan it obtained last year.

It will be paying a margin of 37.5 basis points over Libor, substantially lower than the 55 point spread on the expiring loan. "This reflects the overall decline in spreads, but also South Africa's growing credibility as a borrower," one banker said.

Conner Middelmann

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.00	6.10¹	9.00	6.50²
Overnight	5.44	0.41	3.81	4.50	10.43	6.44
Three month	5.19	0.31	3.65	4.79	10.21	6.50
One year	5.21	0.50	3.57	4.82	9.83	6.32
Five year	5.45	1.78	4.82	5.82	10.26	7.07
Ten year	5.71	3.15	5.99	6.89	10.64	7.50

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120-22	120-08	-0-12	121-00	119-17	359,154	371,945
Jun	120-06	119-28	-0-12	120-16	119-04	2,370	16,549
Sep	119-11	119-12	-0-12	119-17	118-23	57	5,607

Emerging market debt

Brady bonds buoyed by US funds

Supported by flows of capital from US funds and the positive tone of the US Treasury market, the Brady bond market has begun the new year strongly, building on the bull run begun late last year.

Since November 14, prices have risen by an average of 14 per cent, according to an index of secondary market debt compiled by West Merchant Bank.

The market has been buoyed by the strength of interest shown by US funds. Investors have been encouraged by signs that inflation and budget deficits are falling in Latin American countries, which account for about 80 per cent of the outstanding Brady Bond issuance of $145bn.

Economic stability has been slowly returning to Mexico and Argentina, the two countries which suffered most when capital flooded out of the region in the first quarter of 1995.

Argentina, in particular, had made impressive progress in reducing its fiscal deficit – this will amount to less than 1 per cent of gross domestic product in 1995 – and its bonds have led the rally, the prices of its Bradys rising by 22.2 per cent since November 14.

Venezuela, which has announced plans to seek an agreement with the International Monetary Fund, has also done well, showing a 19.9 per cent rise since the same date. Mexican bonds have increased in price by 15.9 per cent, while Brazil has shown an 11.9 per cent increase over the period.

Mr Marc Wenhammer, director of fixed income at Foreign and Colonial Emerging Markets, said fundamentals have withstood a hard test and have emerged reinforced following the difficulties of last year.

"I was worried that these countries would be tempted back to their old ways. They have not been," he said.

Brady bonds, which are issued by governments in exchange for distressed commercial debt, have also been helped by the strength of the US Treasury market.

Zero-coupon Treasuries serve as collateral for the bonds, so a rise in their prices supports Bradys.

Weakness in the Treasury market towards the end of last week – following renewed wrangles surrounding the US budget deficit – caused a correction in the Brady market, with higher yielding bonds, such as those issued by Peru and Nigeria, the worst hit.

Analysts said Treasury market volatility would continue to undermine stability but would not reverse the upward trend, largely because the spreads of Bradys over Treasuries are still relatively wide.

"Persistent high spreads should provide a substantial cushion to changes in the technical factors," noted Mr Peter West, economic adviser to West Merchant Bank.

Stripped spreads – derived when the value of the collateral is subtracted from actual yields – have still to fall to levels reached before the Mexican devaluation in December 1994 triggered a sell-off in the market. They remain somewhat wider than levels reached when Brady bonds peaked in early 1994.

The stripped yield spread of Argentine floating-rate bonds over US Treasuries amounted to 811 basis points on Friday, compared with 798 points in mid-December 1994 and 313 points at the beginning of 1994.

Brazilian "C" bond stripped yield spreads amounted to 877 basis points, against 765 points in mid-December 1994 and 467 points in February 1994.

Mexican par bond stripped yield spreads were 1,000 basis points last week, up from 449 points in mid-December 1994 and a low earlier that year of 277 basis points.

Ms Ingrid Iversen, senior economist at Deutsche Morgan Grenfell, says that by historical standards "current spreads are not particularly low. It has taken a year for market perceptions to change".

Looking ahead, there are a number of other reasons to be positive about Bradys.

High real interest rates have made local currency bonds issued by Brazil and Russia particularly attractive for investors.

Ms Iversen of Deutsche Morgan Grenfell is particularly bullish on Brazil. She argues that as local interest rates fall in line with forecast reductions in national inflation, the yields offered by Brady bonds will become more attractive to local investors, prompting out-performance in prices.

At the same time, of the Latin American issuers of Bradys, only Ecuador faces elections this year, which should ensure a quieter time on the political front.

Finally, emerging bond markets have become both more diversified and more liquid over the last year, encouraging investors to retain longer-term positions.

F&C's Mr Wenhammer says there has been a clear "delinkage" between Latin American and non-Latin American Bradys, while other markets – such as South African rand-denominated bonds – are also becoming more interesting to investors.

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
GECC	300	Jan.2001	5.50	99.586R	5.597	+10(5⅝%-00)	UBS
National Australia Bank	250	Feb.1998	5.375	99.86R	5.416	+12(5⅞%-98)	ABN Amro Hoare Govett
SCAT-1, Class A-1§‡	1,552	Jan.1997	(c)	100.00			Lehman Brothers
Bayerische Vereinsbank	250	Feb.1999	5.25	99.787R	5.325	+4(5⅝%-99)	Paribas Capital Markets
Abbey Natl.Treasury Services	300	Jan.1999	5.375	99.822R	5.441	+15(5⅝%-98)	HSBC/ Salomon Bros
DSL Bank	250	Feb.2003	5.75	99.50R	5.382	-(g)	SBC Warburg
Bayerische Landesbank	200	Feb.1999	5.25	99.983R	5.256	-3(5⅝%-99)	SBC Warburg
Bancodesarollo	50	Jan.1998	10.00#	100.00R	8.476	+43(5⅝%-97)	Salomon Brothers Intl.
LB Schleswig-Holstein	200	Feb.1999	5.375	100.02R	5.388	+10(5⅝%-99)	BZW
Harvard University	100	Jan.1999	5.25	99.845R	5.307	-2(5⅝%-99)	Merrill Lynch Intl.
D-MARKS							
DSL Finance	1bn	Jan.2001	5.00	99.46R	5.130	-32(5½%-00)	Deutsche/ Salomon
Südwest LB Capital Markets	500	Feb.2002	5.375	99.91R	5.393	+13(6¾%-01)	ABN Amro/ UBS
Depfa Finance	1bn	Jan.2001	5.125	99.55R	5.230	+8(6⅜%-00)	Commerz/CSFB/SocGen
Nederlandse Waterschapsbank	600	Feb.2002	5.375	99.95R	5.385	+10(6¾%-01)	ABN Amro Hoare Govett
BNG(b)	300	Dec.1999	4.50	99.66R	4.600	+7(7%-99)	ABN Amro Hoare Govett
GECC(b)	300	Dec.1999	4.50	99.84R	4.547	+6(7%-99)	BZW (Deutschland)
Abbey Natl.Treasury Services	250	Feb.2000	4.625	99.85R	4.729	+15(7%-00)	BZW/ Merrill Lynch Bk.
Bank Austria(b)	200	Dec.1998	4.50	99.84R	4.547	+5(7%-98)	BZW (Deutschland)
Republic of Argentina	500	Feb.2003	10.25	99.50R	10.35	+472(7¼%-02)	CSFB-Effectenbank
JP Morgan & Co.	300	Feb.2000	4.625	99.589R	4.739	+14(7%-00)	JP Morgan
BLFA	100	Jan.2004	5.25	97.85	5.591		Commerzbank
YEN							
Merrill Lynch & Co.‡§	10bn	Mar.1999	1.30	100.208			Merrill Lynch Intl.
Creditanstalt-Bankverein	10bn	Mar.2021	(i)	100.50			Nikko Europe
Mitsubishi Corp.Fin.(j)	10bn	Jan.2006	3.05	100.325			Nikko Europe
Sumitomo Corp.Cp.Nether.(k)‡	10bn	Feb.2003	(l)	100.30			Merrill Lynch Intl.
SWISS FRANCS							
Südwest LB Capital Markets	200	Feb.2001	3.625	103.625	2.837		Zürcher Kantonalbank
Hentel	200	Feb.2001	3.50	102.50	2.955		SBC Warburg
Helaba Finance(a)	200	Mar.2003	3.75	104.20	2.822		SBC Warburg
BNG(a)	150	Aug.1998	2.50	101.00			UBS
Rabo Australia‡	100	Feb.1998	2.50	101.50	1.980		SBC Warburg
Nationale Investeringsbank	125	Dec.1999	3.25	102.50			Credit Suisse
STERLING							
Banque Indosuez‡	150	Jan.1999	(a)	99.79	-	-	BZW
Royal Bank of Scotland‡	200	Jan.2003	(b)	99.882R	-	-	HSBC Markets
Lloyds TSB Group(b)‡	200	Jan.1997	(d)	99.94R	-	-	SBC Warburg
First Hydro‡	400	Jul.2021	9.00§	100.00	9.000	+115(8%-17)	BZW
GUILDERS							
Rabobank Nederland	500	Feb.2006	6.125	99.31R	6.220	+18(6%-05)	Rabobank Nederland
Rabobank Nederland	500	Feb.2001	5.25	100.00R	5.246	+13(6%-01)	Rabobank Nederland
Crédit Local de France	500	Feb.2003	5.75	99.94R	5.761	+17(7%-03)	ABN Amro Hoare Govett
Helaba International Finance	300	Feb.2004	5.875	99.418	5.970	+19(7¼%-04)	Rabobank Nederland
Deutsche Finance Neth.	350	Feb.2003	5.75	100.24R	5.707	+17(7%-03)	Deutsche Morgan Grenfell
Dresdner Finance	200	Feb.2001	5.25	98.75R	5.500	+15(6¼%-01)	ING Barings
FRENCH FRANCS							
GECC	3bn	Jan.2005	6.625	99.67R	6.875	+17(6½%-04)	Banque Paribas
LUXEMBOURG FRANCS							
Crogeon International Bank(f)	2bn	Jan.2001	5.625	101.875	5.20	-	BIL
Kredietbank Luxembourg	2bn	Mar.2006	6.625	102.35	6.301	-	Kredietbank Lux.
ITALIAN LIRE							
Kingdom of Sweden	500	Feb.2001	10.00	101.775	9.537	-	BBI Bank Luxembourg
ECUS							
CCCE(j)	150	Jan.1998	(h)	99.961R	-	-	Paribas Capital Markets
Kredietbank Intl.Finance	55	Feb.2005	(m)	101.94	6.58	-	Kredietbank Intl.Group
AUSTRALIAN DOLLARS							
SocGen Australia	100	Feb.2001	7.75	101.27	7.437	-	Hambros Bank
DANISH KRONER							
Dresdner Bank Finance	400	Feb.2003	6.675	102.114	6.480	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. [illegible]

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Uncertainty remains over budget deal

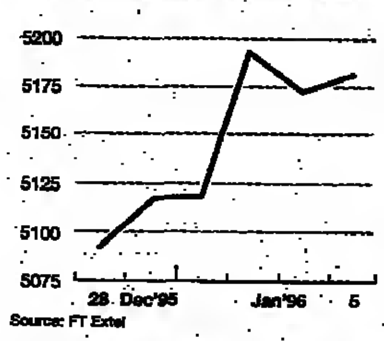
Trading on the US stock market is likely to be choppy this week until investors are confident there is some resolution in sight to the budget stalemate that has kept government offices partially closed.

Until the end of last year the market moved higher, even as negotiations in Washington faltered. Late last week, however, shares suffered a case of the jitters as hopes dimmed that President Bill Clinton and Republican leaders could reach an agreement.

Investors were reassured late on Friday after Congress passed a stop-gap measure to re-open the government, but a deal to balance the budget by 2002 remained far from certain.

Also uncertain was whether investors would get any data with which to gauge the economy. Even if government employees go back to work today, it will take several days to calculate the statistics that bave oot been released.

Dow Jones Industrial Average



Source: FT Extel

Figures on consumer and producer prices are due late this week, but it was not clear when they would be produced.

Investors may turn to the inflation index produced by the Center for International Business Cycle Research. Salomon Brothers believes the monthly index will show its 10th consecutive fall, supporting "market expectations that inflation pressures remain at bay".

State figures on new claims for unemployment benefits may compensate for the December employment report that should have been released last Friday.

LONDON — Philip Coggan

Waiting for clues on next cut in rates

Both the FT-SE 100 index and the FT-SE-A All-Share managed to record all-time highs last week, as stock markets round the world started the year in buoyant mood.

Hopes of interest rate cuts in 1996 helped the UK and the rest of Europe, but Wall Street was an erratic influence as sentiment fluctuated wildly about tha prospects for resolving the US Budget dispute.

The talks between President Clinton and the Congressional Republicans will continue to be a significant factor this week.

The most important economic oumbers are likely to be November's manufacturing output and industrial production figures, due to be published on Thursday.

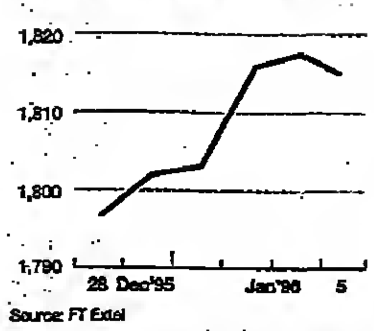
Weak numbers will reinforce expectations that interest rates will be reduced further this year.

After a very quiet period for corporate news last week, a few leading companies will report this week, notably Lonrho and Dixons.

The latter's statements will be monitored very closely for indications about the strength of the vital Christmas season for retailers. Further evidence will be provided by the Confederation of British Industry's distributive trades survey on Friday.

Traders will be boping that bid activity, which helped power the stock market in 1995, will resume after the Christmas break. There were plenty of rumours but no actual deals last week.

FT-SE-A All-Share index



Source: FT Extel

OTHER MARKETS

FRANKFURT

Thyssen Stahl begins the steel reporting season on Wednesday. Following the release of its preliminary 1994-95 group figures last year, UBS is forecasting a pre-tax profit of DM500m.

However, the bank said what will be even more interesting is the outlook Thyssen gives on steel prices, which have continoed to slide in Europe but have been firming in the US recently.

In the small and mid-cap sector, stock picking is expected to continue. UBS expects share prices there to continue the recovery that developed during the first week of the year, saying that following their strong under-performance in the second half of 1995, selective small companies still offer attractive investment opportunities.

After December's cuts in key interest rates, the Bundesbank is seen to have plenty of scope for further easing on its return to variable repo rates.

This augers well for equities and the bank's Dax targets for 1996 stand at 2,400 for June and 2,500 for the year-end, compared with about 2,335 at the end of last week.

MILAN

Political uncertainty has returned to haunt the equity market and this week's parliamentary debate, to map Italy'a way ahead, is likely to keep share prices under pressure. The debate opens on Tuesday evening and is likely to continue throughout Wednesday and Thursday.

The market's favoured outcome would be agreement for another government, led by the incumbent prime minister Mr Lamberto Dini, who has headed Italy's so-called technocrat government for the last 11 months.

The worst scenario would be the failure of Italy's disparate political blocs to reach agreement, bringing snap elections in which no one grouping gained a strong majority.

The likely outcome is thought to be somewhere in between, with Mr Dini's reappointment for a minimum of six months with a mandate to pursue criteria for Italy to join the European Economic and Monetary Union and return the lira to the exchange rate mechanism. This would enable his administration to see through Italy's six-month presidency of the European Union which began last week.

JOHANNESBURG

Gold Fields of South Africa, the most troubled of the country's ailing gold mine groups, kicks off the gold quarterlies reporting season tomorrow in the wake of last week's surge in bullion prices, *writes Mark Ashurst.*

If sustained, higher prices would bring some respite to an industry desperately in oeed of stronger balance sheets to finance capital investment at its mature mines.

Overall, results will not differ much from the third quarter, with Freegold carrying the cost of 3,500 job losses and Gold Fields reeling from a disastrous 1995.

Only the speedy settlement of a recent strike at Gold Field's Kloof mine, a surprise given its labour relations record, and a possible deal allowing its reserves to be mined from Gencor's new Beatrix shaft, give any cause for optimism.

Anglo American Corporation, the world's largest gold producer, should show improved results from its gold divisions as some innovative agreements with unions bear fruit.

Likewise, Gengold's disposal of its marginal mines, and the possibility of early returns on investment at its Kinross mine, will merit close scrutiny as parent company Gencor moves to reposition itself as a world class mining bouse.

Mr David Hall, gold analyst at Barings, predicted a better year in 1996. "Even declining industries go through periods when productivity picks np," he said.

HONG KONG

Brokers expect the Hong Kong market to continue climbing in the run-up to the Chinese new year, which begins on February 19, although a degree of consolidation is likely following the 4.5 per cent gain by the Hang Seng index last week, *writes Louise Lucas.*

With most analysts believing interest rates will continue to move lower this year after the 0.5 per cent reduction in prime lending rates set by the colony's main banks on December 22, property and finance counters – the most interest-rate sensitive – are expected to shine.

Conglomerates are also being tipped for a good run, especially laggards such as Wharf Holdings, which derives the bulk of its earnings from property, and the trend for issuing third party covered warrants is also set to lift the targeted stocks.

Overall, corporate earnings are forecast to grow by 11 per cent this year and 15 per cent in 1997.

Great Eagle Holdings, the property company, announces its finals on Wednesday, but the corporate earnings season does not start in earnest until late February when global banking giant HSBC Holdings unveils full-year figures.

TOKYO

Investors will try to digest developments on the political front following Mr Tomiichi Murayama's sudden decision to resign from his premiership last week, *writes Emiko Terazono.*

While a Liberal Democratic leader has positive implications for asset prices, some analysts are cautious of a split between the tripartite ruling coalition, dne to Mr Hashimoto's conservative political views.

"Political volatility cannot be good at a time when the finance ministry is also feeling vulnerable after the resignation of Mr Kyosuke Shinozawa, former vice-minister of finance," said Nikko Securities.

Compiled by Michael Morgan

International offerings

Spain's Repsol poised to open busy first quarter

Surging stock markets around the world in the opening days of 1996 have provided an ideal backdrop for what is set to be a busy first quarter for international equity offerings.

The first of 1996 is expected to be the Spanish government's sale of a fourth tranche of shares in Repsol, the oil and gas company.

Goldman Sachs and Banco Bilbao Vizcaya, which arranged the previous offerings, are believed to be in charge of this deal.

In what is widely expected to be the last public offering in the company, the government is likely to sell about 11 per cent of Repsol's share capital, which would leave it with a 10 per cent holding. At current market values, the government's 21 per cent stake is worth just over $2bn.

The government's decision to press ahead with the sale in the run-up to the general election on March 3 has angered the opposition party, the centre-right Popular Party.

However, bankers do not expect this to derail the offering, which is scheduled to get under way in the middle of this month, with pricing at the beginning of February.

Since about half of the $1bn offering is believed to have been reserved for domestic retail investors, the amount on offer to international investors should be relatively modest.

Given the selectivity shown last year by international investors, in particular US institutions, this is probably a wise move by the government, especially since Repsol is already widely held abroad.

The bull run in the US stock market last year resulted in a dramatic drop in new investments in foreign equities by US institutions.

According to the Investment Company Institute, the US industry association for mutual funds, the flow into international equities by US mutual funds was $5.2bn in the first 11 months of 1995, compared with $27.2bn in all of 1994 and $26.3bn in 1993.

US pension funds showed a similar pattern. Intersec, the US-based pension fund consultancy, estimates that the value of new regional mandates for Europe awarded by US pension plan sponsors dropped to just $300m in 1995, from $1.7bn in 1994, while mandates for the Pacific region are estimated to have dropped to $1.2bn last year from $2.7bn the year before.

Although the lower numbers also reflect a move by US pension plan sponsors towards awarding global as opposed to regional mandates, the strong US stock markets clearly had an impact.

In view of the high valuations in their domestic markets, the two largest pools of international investors, in the US and the UK, are expected to look more favourably on foreign markets this year. This should allow more equity offerings from Latin America and Asia to come to market.

The need for higher returns is particularly pressing for US pension funds, many of which have to meet actuarial rates of 9 to 10 per cent. With US stock markets at record highs and Treasuries yielding around 6 per cent, such returns will be hard to find at home.

Other privatisations scheduled for the first quarter include the Italian government's sale of its holding in Ina, the insurer. However, it seems likely that the privatisation of Enel, the electricity company, slated for the first quarter, will be pushed back.

The Italian government indicated last year it was committed to selling its 34 per cent stake in Ina by the end of January, through a placing of government bonds convertible into Ina shares. It is rare for this structure to be used in European privatisations, and bankers will be watching the offering closely.

Given the tendency among continental European retail investors to place their savings in bonds rather than equities, the fixed-income element of a convertible bond should have more appeal than a pure equity offering.

If demand for the Ina bonds is strong, bankers say the French government could also experiment with a convertible bond structure. The government needs to find ways of revitalising its privatisation programme following last year's difficult disposals of shares in Usinor Sacilor, the steel company, and Pechiney, the aluminium company.

The other privatisation scheduled for the first quarter is the Norwegian government's disposal of its holding in Union Bank of Norway, the country's largest savings bank. Norway stands to raise about $250m.

The first-quarter calendar for corporate IPOs is equally crowded. Preparations for the £2bn flotation of Hutchison Telecom, operator of the UK's Orange mobile phone network, are at an advanced stage. Goldman Sachs and Kleinwort Benson, the banks arranging the offering, have decided on the syndicate and should announce the results this week.

In the same sector, UBS is arranging the flotation of People's Phone, a retail distributor and service provider of mobile phones. The offering, which should capitalise the company at about £280m, is expected next month.

Bankers also believe the flotation of Scania, the Swedish trucks group and a flagship company in the Wallenberg family industrial empire, could emerge early this year. A stake of up to 75 per cent is to be floated on the stock market by Investor, the Wallenberg holding company.

Although US and UK investors are expected to diversify their equity holdings away from domestic markets this year, the big question facing the vendors of stock and their advisers is whether they will continue to favour corporate offerings over privatisations, as they did last year.

In 1995, international investors made it clear that they would not pay up for privatisation issues. If governments heed this message and price their issues cheaply, they could find themselves basking in the same glow of success as the vendors of stock in Gucci and Adidas did last year.

Antonia Sharpe

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 5 / Sch)

BELGIUM/LUXEMBOURG (Jan 5 / Frs.)

CZECH REP (Dec 15 / Koruna)

DENMARK (Jan 5 / Kr)

FINLAND (Jan 5 / Mkk)

FRANCE (Jan 5 / Frs.)

GERMANY (Jan 5 / Dm.)

GREECE (Jan 5 / Drachma)

ITALY (Jan 5 / Lira)

NORWAY (Jan 5 / Kroner)

POLAND (Jan 5 / Zloty)

PORTUGAL (Jan 5 / Escudo)

SPAIN (Jan 5 / Pta.)

NETHERLANDS (Jan 5 / Fls.)

SWEDEN (Jan 5 / Kronor)

SWITZERLAND (Jan 5 / Frs.)

TURKEY (Jan 5 / TK Lira)

PACIFIC

JAPAN (Jan 5 / Yen)

HONG KONG (Jan 5 / H.K.$)

INDONESIA (Jan 5 / Rupiah)

MALAYSIA (Jan 5 / MYR)

NEW ZEALAND (Jan 5 / NZ $)

SINGAPORE (Jan 5 / S$)

AUSTRALIA (Jan 5 / Aust$)

SOUTH KOREA (Jan 5 / Won)

TAIWAN (Jan 5 / TW $)

THAILAND (Jan 5 / Baht)

MONTREAL (Jan 5 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jan 5 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 5 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

INDICES

	Jan 5	Jan 4	Jan 3	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	17588.17	17532.52	17858.18	17858.20	3/1/96	8831.00	9/3/95
Australia							
All Ordinaries(1/1/80)	2260.7	2258.4	2258.1	2260.70	5/1/96	1823.30	8/3/95
All Mining(1/1/80)	1026.2	1026.8	1023.5	1029.50	7/8/95	796.30	8/3/95
Austria							
Credit Aktien(30/12/84)	361.99	361.48	355.77	385.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1019.01	1005.27	987.90	1086.37	2/1/95	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1600.62	1596.60	1600.68	1600.82	5/1/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	46943.9	46841.9	46815.0	48612.00	19/9/95	21382.00	9/3/95
Canada							
Metals Mins♣(1975)	4951.13	4955.77	4953.51	5266.37	23/11/95	3805.63	1/3/95
Composite♣(1975)	4839.70	4806.80	4819.50	4839.70	5/1/96	3981.41	30/1/95
Portfolio§§(4/1/83)	2382.37	2365.07	2371.93	2382.37	5/1/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	5798.15	5781.74	5781.40	6363.10	11/7/95	4576.90	9/3/95
Denmark							
CopenhagenSE(3/1/83)	373.75	376.07	373.86	376.07	4/1/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1711.84	1746.37	1794.78	2332.22	14/9/95	1556.30	29/3/95
France							
SBF 250(31/12/90)	1262.01	1268.14	1269.16	1322.30	12/5/95	1154.41	13/3/95
CAC 40(31/12/87)	1917.72	1931.21	1942.98	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	835.05	835.46	833.69	848.76	19/9/95	708.87	30/3/95
Commerzbank(1/12/53)	2419.80	2422.00	2418.30	2427.50	19/9/95	2018.70	30/3/95
DAX‡(30/12/87)	2331.88	2324.32	2329.22	2331.88	5/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	905.82	902.32	901.14	982.69	4/8/95	787.19	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10529.90	10573.90	10397.44	10573.90	4/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3048.86	3072.41	3088.40	3932.09	2/1/95	2822.16	29/11/95
Indonesia							
Jakarta Comp(10/8/82)	533.28	532.80	518.64	533.28	5/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2280.42	2290.45	2270.45	2290.45	4/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	589.29	588.33	601.04	680.64	10/2/95	547.79	5/12/95
MIB General(2/1/95)	999.0	1014.0	1019.0	1019.00	3/1/96	999.00	5/1/96
Japan							
Nikkei 225(16/5/49)	20669.03	20618.00	(c)	20669.00	5/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	307.98	307.60	(c)	307.98	5/1/96	222.26	13/6/95
Topix(4/1/68)	1632.03	1631.06	(c)	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2091.94	2093.91	(c)	2130.58	4/1/95	1441.80	13/6/95
Malaysia							
KLSE Comp(4/4/86)	1042.06	1046.19	1038.11	1085.04	5/6/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	3002.63	3004.78	3004.78	4/1/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGenEnd 83)	543.0	546.4	544.4	546.40	4/1/96	422.90	23/3/95
CBS All ShrsEnd 83)	328.6	330.6	329.8	330.60	4/1/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2184.80	2203.06	2202.86	2206.02	20/10/95	1801.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1303.65	1306.44	1306.29	1306.44	4/1/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2696.12	2700.48	2631.74	2958.12	10/7/95	2188.48	20/11/96
Portugal							
BTA(1977)	2531.3	2529.2	2504.2	2911.80	9/1/95	2412.80	22/11/95
Singapore							
SES All-S'pore(2/4/75)	577.14	576.40	566.66	577.14	5/1/96	472.80	23/1/95
South Africa							
JSE Gold(28/9/78)	1532.5♥	1480.4	1450.6	2023.00	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8247.5♥	8238.1	8195.6	8247.50	5/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx(4/1/80)	856.62	859.97	888.85	1027.37	2/1/95	847.09	27/5/95
Spain							
Madrid SE(30/12/85)	327.34	329.03	328.01	329.03	4/1/96	264.08	23/3/95
Sweden							
AffarsvarldenGen(1/2/37)	1766.5	1781.3	1785.0	1872.19	19/9/95	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1572.77	1578.69	1569.17	1578.69	4/1/96	1174.63	13/3/95
SBC General(1/4/87)	1160.70	1165.59	1159.14	1165.59	4/1/96	870.58	13/3/95
Taiwan							
Weighted Pr(30/6/66)	4799.30	5146.04	(c)	7051.49	5/1/95	4500.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1364.23	1360.57	1323.43	1472.04	10/7/95	1135.59	16/3/95
Turkey							
Istanbul Cmp(Jan 1986)	40366.7	39839.5	38960.0	54863.80	21/4/95	24644.30	23/1/95
WORLD							
MS Capital Int.(1/1/70)	742.3*	741.1	740.2	743.60	4/1/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1519.00	1535.57	1534.22	1535.57	4/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1359.24	1387.32	1370.55	1370.55	3/1/96	1117.24	9/3/95
ƒCapelDrgns(31/12/88)	(u)	356.57	351.05	358.57	4/1/96	282.07	23/1/95
ING Brngs Emrg(7/1/92)	154.36	154.77	150.89	158.07	2/1/95	117.16	10/3/95

INDEX FUTURES

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jan	1927.0	1923.0	-13.8	1939.8	1913.8	18,466	33,019
Feb	1333.0	1930.5	-12.5	1941.5	1930.0	240	815
DAX							
Mar	2339.8	2330.8	-20.0	2348.5	2323.0	20,199	-
Jun	2352.0	2343.5	-17.8	2360.5	2339.0	2,070	-

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1390.00	1385.00	-8.50	1391.00	1382.00	1,719	18,464
Feb	-	1405.00	-	-	-	-	130
SOFFEX							
Jan	3387.0	3374.0	-25.0	3392.0	3372.5	4,829	13,720
Feb	3389.0	3380.0	-22.0	3396.0	3380.0	655	1,727

* Sat Dec 30: Taiwan Weighted Price 5173.73, Korea Comp Ex (c). Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp, Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 5 – 2315.00 +17.15

US INDICES

Dow Jones	Jan 5	Jan 4	Jan 3	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5181.43	5173.84	5194.07	5216.47 (13/12/95)	3832.08 (30/1/95)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	105.48	105.56	105.49	105.59 (4/1/96)	93.83 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1996.31	2016.78	2027.88	2092.11 (5/12/95)	1473.18 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	228.62	227.57	228.27	228.82 (5/1/96)	183.03 (3/1/95)	256.48 (31/5/93)	10.50 (8/4/32)

DJ Ind. Day's high 5217.55 (5259.46) Low 5107.00 (5114.23) (Theoretical♦)
Day's high 5161.79 (5227.31) Low 5133.38 (5139.88) (Actual♦)

Standard and Poors	Jan 5	Jan 4	Jan 3	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	616.71	617.70	621.32	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	723.33	734.56	737.41	731.66 (13/12/95)	546.28 (3/1/95)	731.66 (13/12/95)	3.62 (21/6/32)
Financial	60.81	61.16	62.29	63.66 (6/12/95)	41.64 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	330.18	330.72	332.63	332.63 (3/1/96)	250.73 (3/1/95)	332.63 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	543.92	548.47	552.17	553.58 (12/9/95)	433.12 (6/1/95)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1033.47	1029.82	1046.26	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Dec 29	Dec 22	Dec 15	Year ago
Dow Jones Ind. Div. Yield	2.30	2.31	2.27	2.79
	Jan 3	Dec 27	Dec 20	Year ago
S & P Ind. Div. yield	1.95	1.98	2.02	2.45
S & P Ind. P/E ratio	18.95	16.75	18.49	18.71

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron	6,176,200	39¼	-1¼
Telefonos	5,857,900	35¼	-½
Motorola	5,476,900	57	-1¾
K-Mart	4,932,100	8	+¼
Citicorp	4,867,700	65¾	..
Ford Motor	4,703,600	29	-½
Sicn Grphs	4,109,500	24¼	+1¼
Compaq	3,894,700	47¾	+1¾
IBM	3,874,300	88¾	+1¼
Chemical Bk	3,008,700	56	-¾
Homestake	2,984,900	17⅛	+1

TRADING ACTIVITY

● Volume (million)	Jan 5	Jan 4	Jan 3
New York SE	433.351	512.512	498.923
Amex	24.925	20.174	17.489
NASDAQ	(u)	542.941	514.456
NYSE			
Issues Traded	3,101	3,111	3,083
Rises	1,143	914	1,523
Falls	1,159	1,519	917
Unchanged	799	678	643
New Highs	104	195	282
New Lows	25	20	6

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	613.95	619.30	-0.50	621.30	614.70	102,749	197,307
Jun	624.30	624.85	-0.45	626.50	620.40	405	5,837
Nikkei 225							
Mar	20520.0	20700.0	+100.0	20740.0	20510.0	22,389	137,212
Jun	20650.0	20730.0	+140.0	20730.0	20520.0	107	18,286

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO – MOST ACTIVE STOCKS: Friday, January 5, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	34.9m	883	+23	Mitsubishi Hvy	9.7m	863	+4
Nippon Steel Corp	28.7m	389	+9	Sumitomo Mtl Ind	9.2m	340	+10
Sanyo Electric	19.4m	667	+13	Yamaichi Secs	8.7m	896	+48
NKK Corp	15.2m	295	+6	Taisei Corp	7.3m	744	+43
Sumitomo Hvy Ind	12.5m	425	+31	Penta Ocean Cont	7.3m	840	+37

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7001	-0.1686	911 - 090	15.8382	15.6850	15.6588	3.3	15.6128	2.2	-	-	106.6
Belgium	(BFr)	45.8714	-0.4894	456 - 972	46.0980	45.8200	45.7664	2.7	45.5864	2.5	44.8864	2.1	109.0
Denmark	(DKr)	8.6938	-0.0697	292 - 383	8.6783	8.6231	8.6222	1.6	8.6048	1.3	8.5464	1.0	109.6
Finland	(FM)	6.7467	-0.0421	410 - 523	6.7710	6.7360	6.7423	0.8	6.7342	0.7	-	-	88.9
France	(FFr)	7.6463	-0.0585	427 - 498	7.6787	7.6334	7.6411	0.9	7.633	0.7	7.5965	0.8	110.8
Germany	(DM)	2.2319	-0.0243	306 - 330	2.2450	2.2276	2.2269	2.8	2.217	2.7	2.1738	2.6	111.3
Greece	(Dr)	366.746	-3.553	498 - 998	370.499	365.783	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9688	-0.0026	679 - 697	0.9721	0.9678	0.9678	1.2	0.9667	0.9	0.9632	0.6	97.3
Italy	(L)	2452.88	-6.74	108 - 467	2458.64	2446.26	2461.33	-4.1	2477.98	-4.1	2550.83	-4.0	71.5
Luxembourg	(LFr)	45.8714	-0.4894	456 - 972	46.0980	45.8200	45.7664	2.7	45.5864	2.5	44.8864	2.1	109.0
Netherlands	(Fl)	2.4991	-0.0269	977 - 005	2.5124	2.4956	2.4932	2.8	2.4828	2.6	2.4388	2.4	109.1
Norway	(NKr)	9.8410	-0.0684	335 - 502	9.8831	9.8280	9.8316	1.2	9.8103	1.3	9.7291	1.1	98.1
Portugal	(Es)	232.245	-2.266	100 - 390	233.480	231.895	232.67	-2.2	233.575	-2.3	-	-	95.8
Spain	(Pta)	187.908	-1.899	797 - 018	189.190	187.602	188.383	-3.1	189.338	-3.0	193.583	-3.0	82.8
Sweden	(SKr)	10.2699	-0.0249	610 - 787	10.2964	10.2128	10.2718	-0.2	10.2754	-0.2	10.2908	-0.2	87.4
Switzerland	(SFr)	1.7998	-0.0226	987 - 008	1.8100	1.7974	1.7925	4.9	1.779	4.8	1.7209	4.4	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.5
Ecu	-	1.2084	-0.0118	077 - 090	1.2148	1.2043	1.2073	1.1	1.2051	1.1	1.1971	0.9	-
SDR†	-	1.051210	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5520	+0.0032	515 - 525	1.5547	1.5459	-	-	-	-	-	-	-
Brazil	(R$)	1.5093	+0.0034	088 - 098	1.5115	1.5038	-	-	-	-	-	-	-
Canada	(C$)	2.1077	+0.0099	066 - 088	2.1095	2.1000	2.1064	0.7	2.1033	0.8	2.0958	0.6	84.4
Mexico	(New Peso)	11.7540	+0.0354	354 - 725	11.8025	11.7138	-	-	-	-	-	-	-
USA	($)	1.5527	+0.0038	523 - 531	1.5550	1.5485	1.5516	0.9	1.5494	0.9	1.5383	0.9	94.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0855	+0.0092	842 - 867	2.1018	2.0790	2.087	-0.9	2.0908	-1.0	2.1073	-1.0	86.5
Hong Kong	(HK$)	12.0094	+0.0287	055 - 132	12.0261	11.9614	12.0023	0.7	11.9942	0.5	11.9877	0.3	-
India	(Rs)	54.9867	+0.3152	514 - 419	55.0470	54.7740	-	-	-	-	-	-	-
Israel	(Shk)	4.8562	-0.0077	514 - 609	4.8625	4.8514	-	-	-	-	-	-	-
Japan	(Y)	162.824	-1.53	728 - 920	163.540	161.830	161.989	6.2	160.484	5.7	154.144	5.3	137.4
Malaysia	(M$)	3.9625	-0.0031	607 - 643	3.9890	3.9487	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3842	+0.0001	823 - 861	2.3710	2.3575	2.3671	-1.5	2.3741	-1.7	2.3983	-1.4	102.5
Philippines	(Peso)	40.7116	+0.0602	858 - 378	40.7378	40.6858	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8236	+0.0138	217 - 254	5.8319	5.8005	-	-	-	-	-	-	-
Singapore	(S$)	2.2095	-0.0089	081 - 108	2.2135	2.2053	-	-	-	-	-	-	-
South Africa	(R)	5.6345	+0.0095	322 - 367	5.6416	5.6130	-	-	-	-	-	-	-
South Korea	(Won)	1223.84	+4.43	337 - 431	1225.50	1217.54	-	-	-	-	-	-	-
Taiwan	(T$)	42.4162	+0.0658	042 - 322	42.4779	42.2518	-	-	-	-	-	-	-
Thailand	(Bt)	39.1863	+0.0418	723 - 002	39.2330	39.0800	-	-	-	-	-	-	-

† Rates for Jan 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.1115	-0.1327	083 - 146	10.1830	10.1010	10.098	1.6	10.07	1.6	9.9665	1.4	106.3
Belgium	(BFr)	29.5430	-0.392	340 - 520	29.7500	29.5190	29.491	2.1	29.403	1.9	29.098	1.5	108.2
Denmark	(DKr)	5.5605	-0.071	590 - 620	5.5991	5.5545	5.5567	0.8	5.5505	0.7	5.568	-0.1	108.5
Finland	(FM)	4.3451	-0.0375	426 - 476	4.3683	4.3388	4.3401	1.4	4.3314	1.3	4.3026	1.0	88.2
France	(FFr)	4.9246	-0.0494	235 - 255	4.9560	4.9150	4.9277	-0.8	4.9321	-0.6	4.9085	0.3	110.1
Germany	(DM)	1.4375	-0.019	371 - 378	1.4461	1.4365	1.4353	1.8	1.4309	1.8	1.4132	1.7	110.2
Greece	(Dr)	236.200	-2.85	100 - 300	239.160	235.700	237.925	-8.8	241.125	-8.3	254.6	-7.8	68.0
Ireland	(I£)	1.6027	+0.008	017 - 037	1.6038	1.5950	1.6032	-0.3	1.6038	-0.2	1.5997	0.2	-
Italy	(L)	1579.75	-8.08	900 - 050	1584.80	1576.25	1588.6	-6.2	1598.65	-4.8	1656.75	-4.9	71.5
Luxembourg	(LFr)	29.5430	-0.392	340 - 520	29.7500	29.5190	29.491	2.1	29.403	1.9	29.098	1.5	108.2
Netherlands	(Fl)	1.6095	-0.0212	090 - 100	1.6211	1.6078	1.6066	2.2	1.6011	2.1	1.5812	1.8	108.1
Norway	(NKr)	6.3396	-0.072	348 - 423	6.4105	6.3308	6.3363	0.4	6.3261	0.7	6.3111	0.4	97.2
Portugal	(Es)	149.575	-1.615	520 - 630	150.610	149.330	149.95	-3.0	150.72	-3.1	154.925	-3.2	95.4
Spain	(Pta)	121.020	-1.505	980 - 060	122.020	120.940	121.415	-3.9	122.15	-3.7	125.64	-3.8	82.0
Sweden	(SKr)	6.6142	-0.0317	102 - 182	6.6390	6.5804	6.6318	-3.1	6.6607	-2.8	6.7982	-2.8	87.6
Switzerland	(SFr)	1.1591	-0.0175	587 - 595	1.1685	1.1578	1.1555	3.7	1.1488	3.6	1.1204	3.3	114.6
UK	(£)	1.5527	+0.0036	523 - 531	1.5550	1.5485	1.5516	0.9	1.5494	0.9	1.5383	0.9	83.3
Ecu	-	1.2850	+0.0154	848 - 853	1.2885	1.2757	1.2853	-0.3	1.2856	-0.2	1.2863	-0.1	-
SDR†	-	0.67829	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0003	995 - 996	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9721	-0.0001	720 - 721	0.9723	0.9720	-	-	-	-	-	-	-
Canada	(C$)	1.3575	+0.0032	572 - 577	1.3583	1.3557	1.3577	-0.1	1.3578	-0.1	1.3628	-0.4	83.9
Mexico	(New Peso)	7.5700	+0.005	600 - 800	7.5800	7.5600	7.5723	-0.4	7.5755	-0.3	7.5803	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3430	+0.0027	426 - 435	1.3443	1.3426	1.345	-1.8	1.3465	-1.8	1.3672	-1.8	88.0
Hong Kong	(HK$)	7.7345	+0.0003	340 - 350	7.7350	7.7340	7.7352	-0.1	7.737	-0.1	7.764	-0.4	-
India	(Rs)	35.4200	+0.12	000 - 400	35.4400	35.3270	35.57	-5.1	35.875	-5.1	37.345	-5.4	-
Israel	(Shk)	3.1276	-0.0124	253 - 298	3.1371	3.1253	-	-	-	-	-	-	-
Japan	(Y)	104.865	-1.235	830 - 900	105.400	104.330	104.4	5.3	103.54	5.1	100.11	4.5	136.4
Malaysia	(M$)	2.5520	-0.006	515 - 525	2.5570	2.5515	2.5529	-0.4	2.559	-1.1	2.5825	-1.2	-
New Zealand	(NZ$)	1.5225	-0.0035	218 - 235	1.5244	1.5218	1.5256	-2.4	1.5314	-2.3	1.556	-2.2	-
Philippines	(Peso)	26.2200	-0.01	100 - 300	26.2300	26.2100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7508	3.7502	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4230	-0.0078	225 - 235	1.4273	1.4225	1.4195	3.0	1.4135	2.7	1.398	2.5	-
South Africa	(R)	3.6258	-0.0025	283 - 293	3.6305	3.6266	3.6568	-8.2	3.7079	-8.7	3.9498	-8.8	-
South Korea	(Won)	788.200	+1	100 - 300	789.500	784.500	791.2	-4.6	794.7	-3.3	813.2	-3.2	-
Taiwan	(T$)	27.3190	-0.009	170 - 210	27.3300	27.3130	27.339	-0.9	27.379	-0.9	-	-	-
Thailand	(Bt)	25.2375	-0.0325	350 - 400	25.2600	25.2350	25.3982	-4.7	25.54	-4.8	26.4225	-4.7	-

† SDR rate per $ for Jan 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 4: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$ LIBOR FT London Interbank Fixing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Ds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Ds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. [illegible]

EURO CURRENCY INTEREST RATES

Jan 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	18.67	4.866	2.112	5348	5.448	21.46	506.2	409.6	22.39	3.922	2.180	4.593	3.388	354.9	2.634
Denmark	(DKr)	53.18	10	8.856	2.585	1.122	2841	2.894	11.40	268.9	217.6	11.89	2.084	1.158	2.440	1.799	188.5	1.399
France	(FFr)	59.99	11.29	10	2.918	1.267	3208	3.266	12.87	303.7	245.7	13.43	2.353	1.308	2.758	2.031	212.9	1.580
Germany	(DM)	20.55	3.868	3.426	1	0.434	1099	1.120	4.409	104.0	54.18	4.601	0.806	0.448	0.944	0.696	72.94	0.541
Ireland	(I£)	47.34	8.910	7.891	2.303	1	2531	2.579	10.16	239.6	193.9	10.60	1.857	1.032	2.174	1.603	168.0	1.247
Italy	(L)	1.870	0.352	0.312	0.091	0.040	100.	0.102	0.401	9.466	7.660	0.418	0.073	0.041	0.086	0.063	6.637	0.049
Netherlands	(Fl)	18.36	3.455	3.060	0.893	0.388	981.6	1	3.938	92.92	75.16	4.110	0.720	0.400	0.843	0.621	65.15	0.483
Norway	(NKr)	46.61	8.773	7.769	2.268	0.985	2492	2.539	10	235.9	190.8	10.43	1.828	1.518	2.141	1.578	165.4	1.227
Portugal	(Es)	19.75	3.718	3.293	0.961	0.417	1056	1.076	4.239	100.	80.92	4.423	0.775	0.431	0.907	0.669	70.11	0.520
Spain	(Pta)	24.41	4.595	4.069	1.188	0.518	1305	1.330	5.238	123.6	100.	5.466	0.957	0.532	1.121	0.827	86.64	0.643
Sweden	(SKr)	44.66	8.407	7.445	2.173	0.944	2388	2.433	9.583	225.1	183.0	10	1.752	0.974	2.052	1.512	158.5	1.178
Switzerland	(SFr)	25.50	4.799	4.250	1.241	0.539	1364	1.389	5.471	129.1	104.4	5.709	1	0.556	1.171	0.863	90.49	0.671
UK	(£)	45.87	8.634	7.646	2.232	0.969	2453	2.499	9.842	232.2	187.8	10.27	1.799	1	2.107	1.553	162.8	1.208
Canada	(C$)	21.77	4.098	3.629	1.059	0.460	1164	1.186	4.671	110.2	89.18	4.874	0.854	0.475	1	0.737	77.27	0.573
US	($)	29.54	5.560	4.923	1.437	0.624	1580	1.609	6.337	149.5	121.0	6.613	1.158	0.644	1.357	1	104.8	0.778
Japan	(Y)	28.18	5.303	4.697	1.371	0.595	1507	1.535	6.045	142.8	115.4	6.308	1.105	0.614	1.294	0.954	100.	0.742
Ecu		37.97	7.147	6.329	1.848	0.802	2031	2.069	8.147	192.2	155.5	8.502	1.489	0.828	1.744	1.286	134.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6940	0.6971	+0.0032	0.7003	0.6930	42,183	60,235
Jun	0.6990	0.7001	+0.0032	0.7030	0.6969	2,402	4,651
Sep	0.7018	0.7030	+0.0032	0.7050	0.7016	670	2,068

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.8650	0.8674	+0.0026	0.8712	0.8627	21,096	39,069
Jun	0.8733	0.8750	+0.0025	0.8775	0.8733	135	1,055
Sep	-	0.8823	+0.0025	0.8860	0.8825	7	92

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.9585	0.9589	-0.0006	0.9675	0.9585	36,275	76,025
Jun	0.9710	0.9706	-0.0002	0.9767	0.9710	1,295	2,676
Sep	0.9810	0.9817	+0.0002	0.9860	0.9810	59	334

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5490	1.5502	+0.0034	1.5528	1.5450	9,237	30,860
Jun	1.5460	1.5466	+0.0036	1.5480	1.5460	3	39
Sep	-	1.5428	+0.0036	1.5440	-	1	5

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.520	3.17	3.51	3.97	0.02	0.48	1.06
1.530	2.24	2.76	3.29	0.06	0.73	1.38
1.540	1.35	2.13	2.68	0.17	1.06	1.77
1.550	0.64	1.56	2.19	0.37	1.40	2.22
1.560	0.21	1.00	1.73	0.95	1.85	2.72
1.570	0.05	0.71	1.34	1.75	2.54	3.15

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

■ Pound in New York

Jan 5	—Close—	– Prev. close –
£ spot	1.5520	1.5500
1 mth	1.5509	1.5489
3 mth	1.5488	1.5468
1 yr	1.5388	1.5362

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Jan 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	18 - 6¼	6⅝ - 6⁷⁄₁₆	6⁷⁄₁₆ - 6⅜	6⁵⁄₁₆ - 6³⁄₁₆	6³⁄₁₆ - 6⅛	6⅛ - 6⅛
Sterling CDs	-	-	6½ - 6⁷⁄₁₆	6¹¹⁄₃₂ - 6⁹⁄₃₂	6¹¹⁄₃₂ - 6⁷⁄₃₂	6⅛ - 6¼
Treasury Bills	-	-	6⅜ - 6⁵⁄₁₆	6¼ - 6³⁄₁₆	-	-
Bank Bills	-	-	6¹³⁄₃₂ - 6¹¹⁄₃₂	6¹¹⁄₃₂ - 6⁵⁄₁₆	6¼ - 6⅛	-
Local authority deps.	6⁷⁄₁₆ - 6⅜	6⁷⁄₁₆ - 6⅜	6⁷⁄₁₆ - 6⁷⁄₁₆	6⁵⁄₁₆ - 6³⁄₁₆	6⁷⁄₁₆ - 6⅛	6⁷⁄₁₆ - 6⁵⁄₁₆
Discount Market deps	6½ - 5	6½ - 6¾	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1631pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1995 to Feb 25, 1996, Scheme II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.652pc. Finance House Base Rate 7pc from January 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 5	Dec 29		Jan 3	Dec 29
Bills on offer	£1500m	£1500m	Top accepted rate	6.1568%	6.2371%
Total of applications	£3982m	£2860m	Ave. rate of discount	6.1631%	6.2159%
Total allocated	£500m	£1500m	Average yield	6.2593%	6.3137%
Min. accepted bid	£98.465	£98.445	Offer at next tender	£1500m	£1500m
Allotment at min. level	100%	20%	Min. accept. bid 182 days	-	-

FT GOLD MINES INDEX

	Jan 5	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	2120.26	+16.8	53.59	100.00	1.88	-	2083.86	1637.91
■ Regional Indices								
Africa (16)	2823.00	+12.8	16.24	28.44	3.22	29.55	2990.39	2272.74
Australasia (6)	2537.07	+7.1	6.43	12.00	1.96	39.83	2807.57	1768.20
North America (12)	1883.58	+10.6	31.92	59.57	0.72	55.26	1831.00	1348.16

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	25.0	29	23	Cash Converters	25		MV2.6	5.1	13.0	10.7
-	F.P.	23.4	125	118	Century Inns	117	-1	-	-	-	-
-	F.P.	12.2	516	500	†Com de Part Fin	516					
150	F.P.	72.1	160	149½	Cortworth	151		RN5.8	2.1	4.8	12.4
-	F.P.	58.5	113	108	Cox Insurance	113		-	-	-	-
-	F.P.	14.0	60	52	†Crown Products	53		-	-	-	-
-	F.P.	14.1	90	75	†Dmatek	75		-	-	-	-
100	F.P.	28.1	108	98	Finsbury Tech	108		-	-	-	-
200	F.P.	21.6	203	198	Gearhouse	200		Lv4.4	3.5	2.8	13.1
-	F.P.	26.1	88	73	Jupiter Split Cap	87		-	-	-	-
-	F.P.	54.3	101	99	Jupiter Split Inc	99½		K7.34	-	9.1	-
-	F.P.	59.0	259	258	Jupiter Split Units	259		7.24	-	0.2	-
-	F.P.	13.5	28	20	†Marx & D'sons	23	+1	-	-	-	-
204	F.P.	3,348.2	214½	198	National Grid	198	-1½	Wn11.23	2.8	7.1	8.9
-	F.P.	8.59	78	75	†Nthn Petlm	75		-	-	-	-
-	F.P.	0.13	8	8	†Do Wrnts	8		-	-	-	-
-	F.P.	99.5	416	345	†Pet City	410	+12	-	-	-	-
-	F.P.	28.8	152	124	†Polymasc Pharms	144	-8	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'olly	100		-	-	-	-
-	F.P.	3.15	3½	3	†Rushmere Wynne	3½		-	-	-	-
133	F.P.	48.9	140	133	Unicorn Intl	140		WN5.5	2.2	4.9	11.7
-	F.P.	180.1	260	213	Victrex	260		LN3.8	2.4	1.7	30.4
-	F.P.	4.05	135	125	†Viewinn	136		-	-	-	-
-	F.P.	47.8	88	55	Wilmington	87		y-	-	-	31.5

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995/96 High	1995/96 Low	Stock	Closing price p	+or-
48	Nil	[illegible]	[illegible]	[illegible]	Ransomes	[illegible]	[illegible]
2½	Nil	[illegible]	[illegible]	[illegible]	SWP Group	[illegible]	[illegible]
25	Nil	[illegible]	[illegible]	[illegible]	Sutcliffe Speakman	[illegible]	[illegible]
150	Nil	[illegible]	[illegible]	[illegible]	Westbury	[illegible]	[illegible]

pm premium.

BANK RETURN

BANKING DEPARTMENT	Wednesday January 3, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	912,711,683	-368,192,450
Bankers deposits	1,884,675,368	-246,687,560
Reserve and other accounts	4,160,823,812	+1,010,625,502
	6,972,763,863	+395,745,492
Assets		
Government securities	1,081,247,581	-109,950,000
Advance and other accounts	5,361,939,277	+1,018,679,268
Premise, equipment and other secs	518,285,986	-520,873,778
Notes	11,128,188	+7,847,214
Coin	161,823	+42,788
	6,972,763,863	+395,745,492
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,798,870,804	-917,847,214
Notes in Banking Department	11,129,196	+7,847,214
	20,810,000,000	-910,000,000
Assets		
Other Government securities	13,080,471,853	-2,429,131,685
Other Securities	7,729,528,147	+1,518,131,685
	20,810,000,000	-910,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.50	Girobank	6.75	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.75
Bank of Ireland	6.75	●Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.75	Heritable & Gen Inv Bk	6.50	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.50	C. Hoare & Co	6.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	* In administration	
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.50	NatWestminster	6.50		
		●Rea Brothers	6.75		

UK GILTS PRICES

Notes	Price £	W'k % +/-	Amt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 14pc 1996	100⅜xd	—	770	Jy22 Ja22	18.12	1305
15¼pc 1996‡‡	102⅞	-.16	1,150	No3 My3	27.9	1306
Exch 13¼pc 1996‡‡	102⅞	-.15	800	Nv15 My15	8.10	1288
Conversion 10pc 1996	103⅛	-.12	3,409	My13 Nv15	9.10	1240
Treas 13¼pc 1997‡‡	107xd	-.15	1,290	Jy22 Ja22	18.12	1302
Exch 10½pc 1997	104⅜	-.12	3,700	Au21 Fe21	17.7	1253
Treas Cnv 7pc 1997‡‡	101	-.25	1,988	Fe6 Au6	30.6	4491
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2005‡‡	106⅞	-.52	8,900	Ja7 De7	21.10	4946
7½pc 2006‡‡	99⅞	-.44	6,000	Ja7 De7	31.10	-
7¾pc 2006‡‡	101½	-.46	3,900	Mr8 Se8	2.8	2300
8pc 2002-6‡‡	102⅞	-.87	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	123⅝xd	-.48	3,150	Jy22 Ja22	18.12	1293
Treas 8½pc 2007‡‡	106⅞xd	-.49	7,397	Ja16 Jy16	11.12	1339
13½pc 2004-8	136⅞	-.50	1,250	Se26 Mr26	28.9	1301
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked	(b)					
2pc '96	(67.9) 215⅛	—	1,200	Mr13 Se16	10.8	1313
4⅝pc '98‡‡	(135.6) 112⅝	0.06	800	Ap27 Oc27	20.9	1793
2½pc '01	(78.3) 179⅜	0.14	1,700	Mr24 Se24	18.8	1316
2½pc '03	(78.8) 174⅞	—	1,750	My20 No20	16.10	1317
4⅜pc '04‡‡	(135.6) 115⅞	0.22	1,000	Ap21 Oc21	14.9	1255
2pc '06	(69.5) 183⅜xd	0.38	1,850	Ja19 Jy19	13.12	1314
2½pc '09	(78.8) 166⅛	0.23	2,050	My20 No20	16.10	1316
2½pc '11	(74.6) 172⅝	0.11	2,350	Fe23 Au23	17.7	1319
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years; Over Fifteen Years; Undated; Other Fixed Interest: [illegible]

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1995: 149.0 and for November 1995: 149.6.

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

STOCK INDICES

	Jan 5	Jan 4	Jan 3	Jan 2	Dec 29	1995/96 High	1995/96 Low	Since comp. High	Since comp. Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Govt Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq	♣tV	551½xd	4.55	31.8	0.9	Feb Jul	4.12	1550
Bulmer (HP)	tV	605	0.20	12.3	2.5	Feb Sep	31.7	2005
Burn Sk Dist	r	130	0.78	6.9	0.3	May Nov	30.10	1518
Grand Met	♣tV	448½xd	−3.34	14.9	1.9	Apr Oct	29.12	2799
Guinness	♣tV	485	2.32	14.1	2.3	Nov May	0.10	2791
Highland	V	342xd	5.88	7.9	2.7	Jan Jun	4.12	2890
Kirin Y		773¼	1.22	Q20%	4.2	Mar Sep	−	1110
Macallan-Glen	♣tV	194	2.11	1.32	3.4	Nov May	2.10	3254
Macdon Martin A	tV	625xd	—	16.9	3.3	Jan Jul	11.12	3257
Matthew Clark	♣V	683	1.19	21.0	0.2	Apr Oct	31.7	2153
Merrydown	tV	110xd	−5.17	2.0	−	Jan Oct	11.12	3352
Seagram S		£23½	4.70	060c	−	MrJeSeDe	3'93	−
Taunton Cider	♣V	253	1.20	7.9	1.5	Feb Sep	14.8	2874

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		50½xd	—	8%	−	Jan Dec	11'94	1757
Cater Allen	♣tV	457	7.76	28.8	2.0	Jan Aug	11.12	2061
Close Bros	♣V	326	2.52	6.7	2.5	Apr Nov	9.10	2168
Gerrard & Nat	♣V	467	5.18	22.5	1.3	Jul Dec	13.11	2886
Hambros	V	213	3.40	7.5	−	Aug Dec	27.11	2812
7½pc Cv Pf		102	3.03	7½%	−	Oct Apr	4.9	4388
Joseph (L)	♣tV	453	1.12	18.75	1.9	Sep Jan	11.12	3080
King & Shaxson	♣V	151xd	5.59	9.0	1.4	Jan Jul	22.12	3088
Rea Brothers	♣	64	−1.54	1.0	2.4	May Sep	14.0	3785
Schroders	♣ttwd	1365	−22	14.17	5.1	May Oct	10.3	3839
N/V	ttw	1168	−1.34	14.17	5.1	May Oct	10.9	3841
Singer & Fried	♣tV	109	—	3.7	2.7	Nov Jun	25.9	4028
8½pc Cv Ln 09/14		£135½	—	08½%	−	−	13.10	4545
Union	♣V	97	13.45	3.0	−	Apr Aug	31.7	4353
Wintrust	♣tV	275	—	11.72	1.5	Mar Oct	30.0	4524

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

PHARMACEUTICALS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Astra B SKr	□	£28⅝	4.87	Q90%	4.9	May	5'93	–
Bioss	♣	110	26.00	–	–	–	–	–
Brit Biotech	♣v□	1755	–2.77	–	–	–	–	2819
Warrants		1245	–1.97	–	–	–	–	4339
Cantab Pharma.	♣v	380	5.88	–	–	–	–	3448
Celltech	♣v□	677	–1.87	–	–	–	–	3799
Chiroscience	♣v□	302	–7.65	–	–	–	–	3995
Cortecs	♣v□	167	–1.19	–	–	–	–	4505

RETAILERS, GENERAL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Asprey	v□	250	—	1.25	8.8	Jan	12'94	1671
Austin Reed	v	158	—	6.0	2.0	Jul Dec	16.10	3798
Beale	♣v□	245	0.82	5.9	3.3	Oct	10.1	5027
Beattie (J)	†v□	143	0.79	8.5	1.4	Nov Jul	25.9	1704
Bentalls	v	27	—	2.15	4.2	Jun Nov	2.10	1806
Betterware	v□	68	–2.13	2.5	0.7	Jan Jul	13.11	4090
Blacks Leisure	♣v	82xd	25.25	2.25	0.9	Feb Oct	22.12	1846
Body Shop	†v□	148xd	–1.97	2.58	9.8	Jun Jul	30.10	1854
Boots	†v□	585xd	–.17	17.35	2.1	Feb Aug	10.11	1878
Brackenbridge	♣□	38	—	–	–	Jul	8'91	5278
Brown & Jackson	v□	23	—	–	–	Jul	5'93	1904
Brown (N)	†v	266	–.75	6.05	2.6	Jan Jul	20.11	1905
Burton	v□	133½	–.74	2.2	2.2	Feb Jul	12.8	2020
Caskets	♣v	113	—	3.0	1.8	Apr Nov	19.10	2959
Carpetright	♣v□	435	2.59	10.5	1.6	Feb Sep	21.8	2484
Christies Intl	♣†v□	203	–0.79	2.25	2.8	Oct May	25.9	2132

PHARMACEUTICALS - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Elan IE	v	£28¾	–10.63	–	–	–	–	–
Glaxo Wellcome	♣Z♦□	888	–2.85	30.8	1.8	Apr Oct	18.9	2701
Halsland A NKr	□	£17⅜	4.11	Q88%	2.1	May	5'93	4785
B NKr	□	£17	4.34	Q88%	2.1	May	5'93	4786
Headlopoo	v□	74	–1.99	–	–	Jul	8'94	2945
Lilly (Eli) $		$94⅝	–4.15	Q$8.59	–	MrJnSeDe	14.11	–
Medeva	♣†v□	282	5.22	3.9	4.3	May Oct	31.7	3828
Meconic	Z□	147	–1.50	1.80	–	Feb	–	5163
Novo B DKr		£30⅞	4.84	Q20%	0.9	May	26.4	3520
Oxford Molecular	♣v	258	–2.63	–	–	–	–	3880

RETAILERS, GENERAL - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Church	♣v	378	3.65	12.76	1.8	May Oct	25.9	2136
Clinton Cards	†v	118	4.42	4.88	1.6	May Nov	19.10	4978
Coles Myer A$		238	4.00	Q22c	♦	Nov Jan	11'93	–
Colorvision	v	38	2.86	1.3	2.8	Mar Sep	24.1	2792
Country Casuals	♣♦v	149	1.36	6.41	–	Jul Dec	0.10	2899
Courts	†v	700	—	Q8.24	4.9	Apr Oct	11.9	2298
DFS Furniture	♣v□	391	–1.51	8.3	0.9	Jun Nov	30.10	3588
Dixons	v□	425	–4.71	7.26	2.3	Mar Oct	24.1	2385
(Nst) Cv Cv Pf		127½xd	–5.06	5.0	–	Jan Jul	16.12	2336

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31¾		Q478c	2.4	Oct Apr	3'93	–
Barlow	♣	993xd	7.84	Q84c	♦	Jan Jul	11.12	–
Gold Flds Prop R		167	1.95	Q80c	2.1	Feb Sep	1'94	–
MK Props.		92	—	Q67.1c	–	Feb Sep	10'93	–
SASOL	♥	595	2.49	Q78c	–	Oct	9'93	–
SA Brews		924⅞	4.52	Q200c	2.1	Jun Dec	27.11	–
Standard Bank	□	231⅞	3.39	Q284c	0.1	Sep Mar	–	–
Tiger Oats		1150xd	—	Q108c	♦	Jan Aug	11.12	–
Tongaat-Hulett	†	1120xd	5.04	Q119c	2.7	Jan Jun	4.12	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "y" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁑ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1995 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

صكذا من الاصل

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(✠) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(●) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
a - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
‡ - Previous day's price.
§§ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
◆ - Yield column shows annualised rates of NAV increase.

4 pm close January 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
22	12⅛	AAR	0.48	2.3	24	373	20½	19⅞	20½	
46¼	35	AMP	0.92	2.3	20	4181	39⅞	39¼	39⅝	-⅛
80⅛	53⅜	AMR			17	4039	75½	74⅜	74⅝	-¾
47⅞	36⅜	ASA	1.71	4.2	26	1873	41	40⅛	40⅝	+¾
44⅜	30¾	AbbtL	0.84	2.0	20	9318	42½	41⅜	41⅝	-⅞
18⅞	12	Abitibi Pr	0.40	2.6	7	1256	15¼	15⅛	15⅛	-⅜
28½	21	ABM Ind	0.70	2.5	15	29	28	27¾	27⅞	-¼
17⅜	13⅛	Acptnceln			10	130	15⅜	15⅛	15⅜	+⅛
40	21⅞	ACE Ltd x	0.56	1.4	9	2231	39½	38¾	39	-½
9⅞	8⅛	ACM Gvt In x	0.40	5.2	8	361	9⅜	9¼	9¼	-½
7¾	6½	ACM SeOpp x	0.66	0.9		40	7⅛	7¼	7⅜	+⅛
7⅛	5¾	ACM Gvt Sp x	0.75	11.1		588	5¾	6⅜	6¾	+⅛
8¾	7¼	ACM Gvt Se x	0.24	2.9		293	8½	8⅜	8⅜	
9½	7⅝	ACM Man x	0.90	6.9		218	9⅛	9	9⅛	
29¼	10¼	AcmeClv	0.40	2.6	33	3398	18¼	18⅜	18⅛	
38¾	7⅜	Acme Elect			73	136	8⅞	8⅝	8⅞	+¼
34½	23¾	Acordia	0.72	2.4	16	35	29¾	29¼	28¾	+⅛
16¼	10½	Acuson			39	182	12⅞	12⅝	12¾	-⅜
19⅝	15⅝	Adams Expr	0.40	2.6	0	479	18¾	18⅜	18¾	
38⅞	27⅞	AdvMic			52	1802	20	16½	17⅞	+1
6¾	5	Advest Grp	0.18	1.0	12	193	8	8⅞	9	
27½	16½	Advo Inc x	0.10	0.4	19	32	26	25⅝	25⅞	+⅛
45⅛	24.80	Aegon	1.28	2.9	17	46	u45⅛	44⅛	40⅛	+¼
5⅞	3⅜	Aerfix			7	203	4	3⅞	4	
78¾	48¾	AetnaL	2.76	3.9	33	5959	70¼	69⅝	70¼	+⅛
45⅜	31⅞	Aflac	0.52	1.1	13	1550	45¼	44¾	45¼	-⅜
28⅜	16	Ahmnsn	0.90	3.5	7	8712	26⅛	24¼	25⅜	-1⅜
59½	43⅞	AirPrC x	1.04	1.9	18	2080	55⅜	54⅜	00	+¼
29½	18⅞	Airbne Frt	0.30	1.1	28	857	27¾	26¾	27¾	[illegible]
34⅞	19⅝	Airgas Inc			30	873	u34⅞	33	33¾	[illegible]
18	13⅜	Airlease x	2.00	11.3	12	32	17¾	17¼	17⅝	[illegible]
35⅝	24	AirTch			111	10924	28⅜	27¼	27⅞	[illegible]
21⅞	13½	Alaska Air	0.20	1.2	10	1668	17¼	18½	17⅛	[illegible]
28½	17⅜	Albany Intl	0.48	2.1	14	450	10¼	18½	19¼	[illegible]
30	12¾	Alberl	0.22	1.2	29	2081	10⅞	18⅛	18⅞	[illegible]
36½	25⅞	AlbCaB	0.32	0.9	10	126	34¾	33⅞	34¾	[illegible]
32⅜	23	AlCulvr A	0.32	1.0	23	121	31½	30½	31⅛	[illegible]
34⅝	27¼	Albtsn	0.52	1.8	10	4089	33⅜	32¾	33⅜	[illegible]
36⅝	23⅜	AlcnAl	0.90	1.9	13	4237	32⅛	31½	27⅛	[illegible]
42½	31	AlcoSt	1.04	2.3	48	1293	40¾	44⅜	45¼	[illegible]
60¾	29½	AlexBrown	0.88	1.9	7	804	43¾	42¾	42⅛	[illegible]
28⅜	18⅜	AlexAl	0.10	0.5	15	1084	19¼	18⅜	10	[illegible]
23	18⅜	Allegh Lud	0.48	2.5	12	289	19⅝	18⅜	19½	[illegible]
29¼	21½	AllegP	1.68	5.8	15	1048	28¾	28¼	28¾	[illegible]
39⅜	20⅝	Allen Con	0.20	1.0	18	1968	27¾	d20⅝	20¾	[illegible]
33¾	25¾	Allergan	0.40	1.5	20	720	32½	31⅞	32⅛	[illegible]
23¼	15⅜	Allnce Cap	1.72	7.8	12	286	22	21⅞	22	[illegible]
19⅝	8⅜	Allnce Gl	0.18	1.7		111	310⅝	18½	10½	[illegible]
34¾	23½	Ald Irish	1.11	2.3	12	24	33⅞	33½	33⅞	[illegible]
49⅞	23⅜	AldSig	0.78	1.8	18	6009	49⅛	48	48¾	[illegible]
10⅝	8¼	Allmer	0.64	0.0		41	u10⅝	10½	10½	[illegible]
42⅜	23½	Allste	0.78	1.0	11	8044	41⅞	40⅝	41½	[illegible]
31⅛	33¼	Alltel Crp	0.60	3.2	18	2704	30⅛	29⅝	30	[illegible]
6⅜	4⅛	Allwaste			55	3754	5½	4¾	5½	[illegible]
27⅜	16½	AlphbetaA x	0.18	0.75	27	303	u27⅜	25½	28⅛	[illegible]
37⅞	23¾	Alumax			5	2509	29¼	28⅜	29⅝	[illegible]
60¼	26⅞	Alcoa	0.90	1.8	9	6133	00½	55¼	55⅜	[illegible]
26⅞	18⅛	Alza Cp A			27	6279	20	28⅜	25⅞	[illegible]
7⅝	5⅝	AmGovInc x	0.96	14.8		373	6⅝	9½	8½	[illegible]
14¾	7⅝	Am Precis	0.28	2.3	18	42	11⅜	11¼	11⅜	[illegible]
8½	4½	AmaxGd	0.08	0.9	13	3679	u8½	8⅛	8½	[illegible]
22¼	16¾	Amcast Ind	0.56	3.1	8	146	18¼	17⅝	17⅞	[illegible]
54⅝	43¼	AmdaHs	0.60	1.1	45	3985	u54⅝	54½	54⅛	[illegible]

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
29⅝	10.33	Bearings	0.50	2.1	17	124	27	36⅜	27	[illegible]
35⅞	26½	Beckman In	0.44	1.3	10	879	35	34⅜	34⅜	[illegible]

Continued on next page

4 pm close January 5

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59⅛	38⅝	SBC Cm x	1.65	2.8	18	11731	u59⅞	58¼	59	-⅝
28⅝	20½	Scana Corp	1.44	5.1	17	443	28¼	28	28	-¼
19	14½	Scecorp x	1.00	5.6	10	8525	d18	17½	18	+¼
11¼	5⅞	SchawkA	0.28	3.2	20	84	8⅛	7¼	8⅛	+⅞
50¼	37¼	SchererRP			23	572	44⅞	44⅛	44⅞	
60¾	35½	SchrPl	1.18	2.1	10	7652	54⅞	53⅝	54⅛	-¼
70⅜	60⅛	Schlsm	1.50	2.2	26	8758	68	66¾	67	-⅞
26	11⅜	Schwab(C)	0.16	0.8	21	6179	20½	20⅛	20⅜	+⅛
23⅝	20⅛	SchwMaud				1711	u23⅝	22⅞	23⅝	+⅛
24⅞	11⅝	SciAtl	0.06	0.4	18	6733	14¼	13⅞	14⅛	+¼
20	10⅝	Scotsman x	0.10	0.6	11	35	17⅞	17½	17¾	-⅛
40⅝	28⅞	Scripps	0.52	1.3	26	589	39⅞	39	39⅛	-⅞
21½	19⅜	ScudNAsF	0.02	0.1		198	17¼	16¾	17¼	+⅛
11⅝	8⅝	ScudNEuF	0.16	1.4		230	u11⅝	11½	11⅝	
20	13⅞	SeaCnB	0.70	4.1	1	3	17	17	17	
16¼	14⅝	SeaC1.4625	1.46	9.2		18	15⅞	15½	15⅞	
54¾	23⅝	S'gate				1022105	48⅞	45½	48	+2
39½	26⅝	Seagrm	0.50	1.7	24	5301	36¼	35¾	36	+¼
22½	15¼	Seagull En			74	2148	20⅞	19⅞	20	-¾
30¾	16	Sealed Air			23	820	28	27⅞	27¾	+⅛
42⅞	30⅞	SearsR	0.92	2.2	11	23865	u42⅛	40¾	42¼	+1⅛
20½	16⅞	SecCapBlt	1.24	6.3	23	310	18¾	19½	19¾	
12⅞	16⅛	Seligm Sel	0.84	6.6		114	12¾	12⅝	12¾	
30¼	16¼	Sensormat	0.22	1.3	18	7922	17⅝	17	17½	-⅛
32⅛	21⅞	SequaA	0.60	1.9	14	105	21⅝	31¼	31½	-⅞
40	23	SequaB	0.80	1.5	21	12	39⅞	39¾	39¾	-⅛

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 5

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 5

[illegible]

FT GUIDE TO THE WEEK

MONDAY 8

British poll on EU

The European Movement publishes an opinion poll on UK sentiment towards the European Union and European monetary union. The poll tests understanding of the single currency debate and attitudes towards the different routes the UK might take. It is expected to show people remain sceptical about full membership.

CSU holds congress

The Christian Social Union, based in Bavaria and the conservative sister party of Chancellor Helmut Kohl's Christian Democratic Union, starts its New Year congress. High on the agenda will be European monetary union as well as calls to reduce German taxation and cut back state spending. The CSU will also warn it will not support a grand coalition embracing Bavaria's governing party, the CDU, and the opposition Social Democrats. Mr Kohl cannot afford to isolate the CSU given his slim majority in the Bundestag and the weakness of the Free Democrats, his coalition partners.

Chretien leads trade tour

Canada's prime minister, Jean Chretien, senior trade officials and 250 businessmen embark on an 11-day tour to India, Pakistan, Indonesia and Malaysia. Mr Chretien's "team Canada" trade mission, the third in just over a year, follows lucrative visits to Latin America and China.

Looks a lot like Che Guevara

The hunt for the remains of Che Guevara, the revolutionary who fought alongside Fidel Castro in Cuba before being shot dead by the CIA and Bolivian army, resumes in southern Bolivia. The search for the 1960s icon, after whom a beer has been named in Britain, started after two retired generals said he was buried near the village of Vallegrande. The discovery of unidentified human bones and a skull has excited the local tourist industry, with the mayor planning to rebury Guevara in a potentially money-spinning mausoleum.

FT Survey

The Revitalisation of Sonth London.

Holidays

Colombia, Moldova, Puerto Rico, Russia, Ukraine.

TUESDAY 9

UK parliament back

MPs return after their Christmas recess for a Commons session likely to be dominated by speculation about an early general election and the erosion of the shrinking majority of John Major, the prime minister. Among the pitfalls awaiting the government will be rail privatisation and the publication, probably in February, of the much-delayed final report of the Scott inquiry into arms sales to Iraq in the 1980s.

Rifkind presses China

Malcolm Rifkind, the UK foreign secretary, visits China (to Jan 11). He is expected to urge China's leaders to retreat on plans to dissolve Hong Kong's elected parliament and dilnte its human rights laws. Mr Rifkind, who is also expected to express dissatisfaction with the pace of progress on settling issues relating to port development and aviation, arrives in Beijing amid signs of a thaw in Sino-British relations.

US income tax

The Natiooal Commission on Economic Growth and Tax Reform, appointed by the Republican congressional leadership, presents its recommendations for changing the US income tax system at a meeting in Washington. The group is headed by Mr Jack Kemp, former housing secretary in the Bush administration.

Dini's future debated

The Italian parliameot debates the future of Lamberto Dini, the prime minister, amid calls for his resignation by a rightwing alliance headed by Silvio Berlusconi, his predecessor. Mr Dini's resignation offer was turned down by the president, Oscar Luigi Scalfaro, who referred the matter to parliament.

It is understood the hardline stance against Mr Dini's 11-month-old technocrat government has been imposed on Mr Berlusconi, the leader of the Forza Italia movement, by the National Alliance, which wants a snap general election.

Ryutaro Hashimoto, leader of the Liberal Democratic party, hopes to win enough support to take over from Tomiichi Murayama as Japan's prime minister

Granada deadline for Forte

Today is Granada's deadline for raising its £3.3bn hostile offer for Forte, Britain's largest hotels company. The bid was launched in November and if successful would be one of the country's biggest deals this decade. The television and leisure company is offering four new shares plus £23.25 in cash for every 15 Forte shares, worth 325p a share at the weekend's close. There is a fully underwritten cash alternative of 321.67p.

Forte has mounted a robust defence including proposals to sell off its stake in the Savoy group of hotels. It also intends to buy back op to £800m of its shares and increase the dividend for four consecutive years if the bid fails.

Clarke visits Brazil

Keuneth Clarke, the UK's chancellor of the exchequer, visits Brazil for the first time to find out more about its privatisation programme. Mr Clark will meet the president, Fernando Henrique Cardoso and the finance minister, Pedro Malan. He will travel with bankers and representatives from the UK's privatised utilities and visit Brasilia, Sao Paulo and Rio de Janeiro. Although Brazil's privatisation programme has started slowly, it is potentially one of the largest in the developing world.

The government hopes soon to sell some mining, electricity and telecommunications holdings.

Sailing

Star class world championships, Rio de Janeiro, Brazil (to Jan 21).

Holidays

Panama.

WEDNESDAY 10

Christopher in Israel

Warren Christopher, US secretary of state, arrives in Israel on his sixteenth Middle East shuttle to push ahead talks between Israel and Syria. Mr Christopher's visit comes amid intense Israeli-Syrian negotiations after two rounds of talks in Washington. Mr Christopher will try to nndge both sides towards e peace agreement focused on Israeli withdrawal from the occupied Golan Heights in return for full peace. Hopes are high Mr Christopher may persuade them to upgrade their representation to foreign minister level and nail down a timetable for negotiations between working groups.

Saleroom

More than 100 works of art belonging to the late Sir John Pope-Hennessy will be sold at Christie's, New York. "The Pope", as he was nicknamed, was the commanding figure in the British cultural world of the 1960s and 1970s, when director of the Victoria and Albert Museum and then the British Museum. Most items reflect his love of the Italian Renaissance. "The Baptism of Christ" by Mola, bought for a few pounds in 1946, is on offer and expected to make about $120,000 (£78,000).

King Hussein in Israel

King Hussein of Jordan makes his first official state visit to Israel. After a ceremony in northern Israel honouring Israeli and Jordanian peace negotiators, he will visit the Tel Aviv site where Yitzhak Rabin, the former prime minister, was assassinated. The King's visit marks a further step in the consolidation of relations between Israel and Jordan. It clears the way for the conclusion of the bilateral agreements needed to normalise economic, transport and cultural relations.

UN General Assembly jubilee

After a year in which the United Nations' golden jubilee celebration helped to promote New York as the self-proclaimed "capital of the world", London hosts a more modest event marking the 50th anniversary of the first session of the UN General Assembly. Attended by representatives of the 51 member states that formed the UN – today there are 185 – the inauguration was in Westminster Central Hall, the national headquarters of the Methodist church, which was displaced in order for the UN to be near parliament. Boutros Bontros-Ghali, the UN's sixth secretary general, will attend the commemoration at the same hall.

THURSDAY 11

Voting for Japan's new PM

A special session of the Japanese parliament will choose a new prime minister to succeed Tomiichi Murayama. The favourite is Ryutaro Hashimoto, the leader of the Liberal Democratic party, the largest member of the current coalition. Mr Hashimoto's chance of success has been enhanced after yesterday's agreement by the leaders of Japan'a three ruling coalition parties to endorse him. The coalition accord, which was made possible by a series of compromises by the LDP, also includes the new government's policy manifesto.

Bouchard to lead Quebec

Riding a wave of popularity in Quebec after Canada's independence referendum, Lucien Bouchard is expected to be the only contestant for the leadership of the Parti Québécois, Quebec's ruling party, for which applications close today. Mr Bouchard, 57, turned around the separatist campaign in the referendum from disaster into a very-near win. Just before Christmas he resigned from federal politics to return to Quebec, where a March by-election should give him a seat in the Quebec National Assembly and enable him to be sworn in as premier of Canada's only French-speaking province.

Holidays

Aruba, Brazil, Morocco, Nepal.

FRIDAY 12

Age of Aquarius

The Age of Aquarius, long awaited by astrologers and celebrated in the rock musical *Hair*, is ushered in when the planet Uranus enters its sign of Aquarius. Astrologers promise major developments.

Mastering Management

The FT's 20-part series continues in the UK edition with part 10. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7330.

Holidays

Myanmar, Tanzania, Turkmenistan.

SATURDAY 13

Pope delivers annual address

Pope John Paul receives ambassadors accredited to the Vatican and delivers his yearly "state of the world" address.

Horse racing

Ladbroke Handicap Hurdle, Leopardstown, Ireland. Victor Chandler Handicap 'Chase, Ascot, England.

Rugby league

Regal Trophy final, Huddersfield, England.

Holidays

Monaco.

SUNDAY 14

Sampaio enters election

Jorge Sampaio, a former Socialist party leader and mayor of Lisbon, enters Portugal's presidential election with a big lead in the polls over his main adversary, Aníbal Cavaco Silva. Mr Sampaio's popularity is believed to reflect a desire to give social and cultural issues more prominence after a era in which the governments of Mr Cavaco Silva, the former prime minister, focused on infrastructure, privatisation and the economy. Mr Cavaca Silva's decade as prime minister ended in October when the Socialists defeated his centre-right Social Democrats in a general election.

Weizmann in Germany

Ezér Weizmann, the president of Israel, begins his first state visit to Germany (to Jan 16). He will meet Roman Herzog, the president – who travelled to Israel in December 1994 – attend ceremonies at a former concentration camp in Brandenburg, hold a public debate in Berlin and visit Saxony and Lower Saxony.

Cycling

British cyclocross championships, Sutton Park, near Birmingham.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Tuesday: In the aftermath of the Christmas and New Year holidays, and the US government shut down, there will be only a limited supply of economic data to watch this week.

In Germany, December's unemployment figures are expected to show a continued rise in both west and east German unemployment.

In Spain, October's industrial production is expected to show some fairly healthy year on year growth, although economists predict that the increase could be anything from 1.5 per cent to 6.4 per cent.

Wednesday: Data on the UK's visible trade balance is expected to show a further widening of the deficit in October.

Thursday: Inflation data in France is expected to show a small month on month fall in December, leaving the yearly inflation rate unchanged.

In Germany the publication of eagerly awaited GDP data is likely to show that the pan-German economy expanded by about 2 per cent last year, although analysts expect that the fourth quarter was extremely weak.

UK manufacturing is likely to have shown minimal year on year growth in November.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Nov consumer credit	$9bn	$10.5bn
Jan 8	UK	Nov final money data	-	N/A
	UK	Nov consumer credit	£750m	£872m
	Canada	Nov building permits*	2.0%	3.5%
Tues	US	Nov wholesale trade	-	-0.4%
Jan 9	Germany	Dec unemployment, West†	7,000	23,000
	Germany	Sep employment, West†	-12,000	-10,000
	Germany	Dec vacancies, West	-	1,000
	Germany	Dec short-time, West	-	29,000
	Spain	Oct industrial production**	2.4%	0.7%
	Canada	Dec housing starts (units)	106,000	104,000
Wed	UK	Oct global visible trade	-£1.4bn	-£972m
Jan 10	Norway	Dec consumer price indx*	-0.2%	-0.1%
	Norway	Dec consumer price indx**	2.1%	2.1%
Thur	US	Dec producer price indx (postponed)	0.3%	0.5%
Jan 11	US	Dec PPI ex-food & energy	0.2%	0.4
	Germany	1995 gross domestic prod. West**	1.6%	2.3%
	Germany	1995 GDP, pan-Germany**	2.0%	2.9% Rev
	France	Dec consumer price indx prelim*	-0.1%	0.1%
	France	Dec consumer price indx prelim**	1.9%	1.9%
	UK	Nov manufacturing output*	0.1%	0.2%
	UK	Nov manufacturing output**	0.4%	0.9%
	UK	Nov industrial production*	0.6%	-0.9%
	UK	Nov industrial production**	1.8%	0.5%
	Canada	Dec raw materials price indx (adv)*	0.9%	1.8%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	Dec retail sales (postponed)	0.4%	0.6%
Jan 12	US	Dec retail sales ex-autos	0.2%	0.9%
	US	Dec cons'r price indx (postponed)	0.3%	unch.
	US	Dec CPI ex-food & energy	0.2%	0.1%
	US	Dec Atlanta Fed index	-	-13.1
	US	Dec real earnings	-	-0.4%
	US	Dec bank credit	-	1.6%
	US	Dec C&I loans	-	8.8%
	Japan	Dec Bank of Japan data	-	N/A
	Spain	Dec consumer price index*	0.3%	0.3%
	Spain	Dec consumer price index**	4.3%	4.4%
	Canada	Nov motor vehicle sales*	-1.3%	-7.4%
During the week...				
	Japan	Dec trade balance (1st 20 days)	-	$4.9bn
	Germany	Nov capital a/c	-	DM7.2bn
	Germany	Nov orders, West*	1.0%	-4.5%
	Germany	Dec final cost of living, West*	-	0.0%
	Germany	Dec final cost of living, West**	-	1.5%
	Germany	Dec fnl cost of living, pan-Germany*	-	0.0%
	Germany	Dec fnl cost of living, pan-Germany**	-	1.7%
	Germany	Nov retail sales, real**	-2.0%	-5.0%
	Germany	Nov retail sales†	-	-4.0%
	Spain	Dec M4 ann*	-	4.2%
	Spain	Nov trade balance	-	-Pta272bn

*month on month. **year on year.†seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.8,961 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 18, marked Monday Crossword 8,961 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 22. Please allow 28 days for delivery of prizes.

Name...

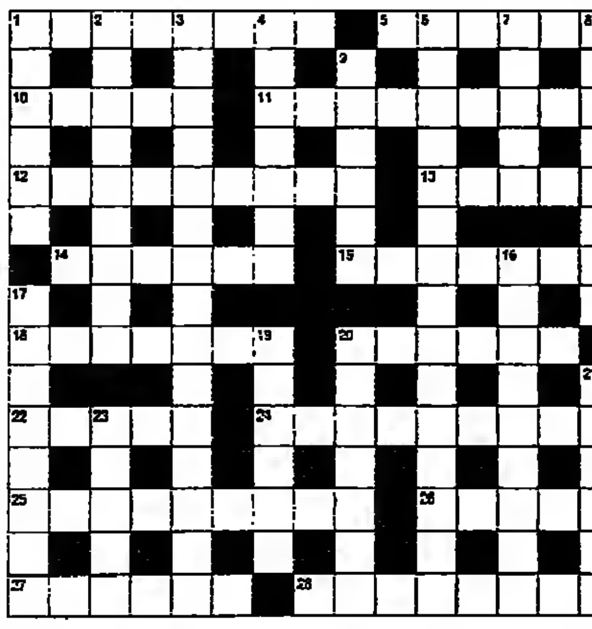
Address...

ACROSS

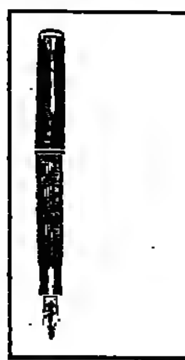
1 Quality of unconcealed hospitality (8)
5 A minor tax (6)
10 Cultivate sex appeal and a figure (5)
11 Quite composed and skilled, to be fair (9)
12 A nuclear physicist who does dissecting? (9)
13 Part of a flag, one shot to pieces (5)
14 Reformed ladies show the highest standards (6)
15 Old flame-coloured matchhead in dug out (7)
18 A deerstalker's comedown (7)
20 Still used as a name for a U.S. lake (6)
22 Place to rest up for Joey on the way (5)
24 He doesn't complain if be gets a beating (4,5)
25 Somewhat eccentric rest home? (3,6)
26 Relation working in EEC (5)
27 Presumably he had a good reason for being late (6)
28 Drink I put down before going out (8)

DOWN

1 French preposition in oral test (6)
2 A Briton around Greenland (9)
3 Gamble on race – a chance to win lots of money (8,7)
4 Kind of gamble is without pount (7)
6 Strike teacher, get punishment and feature in the papers (3,3,9)
7 Teacher taking part in Arab bicentenary celebration (5)
8 There's a regular stream at day's end (8)
9 A loose nickname for the BBC (6)
16 The means I contrived to control the sail (9)
17 Textile manufacturer's bequest to his son? (8)
19 Litter container (6)
20 Though versatile, takes only one part (7)
21 Are such blocks used for building wind breaks? (6)
23 Bid for a chest without a top (5)



JOTTER PAD



JOTTER PAD

صكذا من الاصل

THIS WEEK

FT GUIDE TO PRIVATISATION

Who invented privatisation?
The British take credit for this widely admired policy innovation, introduced by the Thatcher government in 1979, although the International Monetary Fund arguably has a prior claim since it imposed the British Petroleum share sale on a Labour government in 1977. Many Tory politicians have claimed credit. Former chancellor Lord Lawson says that the paucity of references to privatisation in the 1979 election manifesto reflected Lady Thatcher's lack of enthusiasm.

What were the practical consequences of the policy?
Proceeds to the UK Treasury will amount to £63bn ($97.02bn) by the end of the 1995-96 fiscal year, and £7bn is expected during the following three years. By now 48 businesses and 950,000 jobs have been transferred to the private sector.

Has privatisation helped the economy?
The change in ownership has been less important than introducing competition, which has often accompanied privatisation. Disposals have increased public finances, while reducing political pressure on industries, so enhancing their profitability. For utilities such as water and companies operating in competitive product markets, like British Airways and British Steel, it has liberated investment plans from the constraints of public spending, where capital spending is notoriously vulnerable to cuts.

Are consumers better off?
Yes, where there has been more competition. British Telecom will now install new residential telephone lines within 48 hours – a huge improvement. Where introduction of competition has been slower, as at British Gas, consumers are unhappy. In the water industry, where there is no competition, the customers are up in arms after price rises, much leakage, and shortages during a severe summer drought. Water bills have been raised 5 per cent a year in real terms since 1989 to finance a big investment programme.

Is the regulation of privatised utilities effective?
Individual industry regulators are independent of government and industry. They set price caps in relation to the retail prices index, which are reviewed at regular intervals. That has brought down prices in all industries, in real terms, apart from water. Efficiency gains have also exceeded expectations. But critics argue that a disproportionate amount of the unanticipated gains has gone to shareholders; more and earlier competition would have been better for the consumers. Britain's Labour party is proposing to give customers a share of any unanticipated profits above a "normal" level.

How have shareholders done?
Spectacularly well in electricity, where the regional electricity companies (Recs) proved capable of generating cash on a scale that neither the regulator nor the market had expected. The gaffe was blown when Recs forecast vast profit increases in response to predatory takeover bids. Performance has not been very different from the market average in telecommunications and gas, better in water.

Has privatisation helped wider share ownership?
The number of shareholders has risen from 3m in 1979 to 10m last year. Yet about half own only one share and most of the rest hold so few shares that their portfolios are inadequately diversified. The paradox of privatisation is that collective ownership increased throughout the Thatcher period, largely because of tax incentives for occupational pensions.

Who are the biggest winners?
Directors, many of whom have enjoyed huge pay increases and options amounting to a risk-free punt on shares that were often sold off cheaply by the government.

Who are the biggest losers?
Efficiency gains have been won largely at the expense of employees, who have been sacked in their thousands.

What are the politics of privatisation?
Tricky. Consumers wield more votes than directors or shareholders. When service is improving, there is a political harvest to reap. But when shareholders are perceived to be winning at the expense of consumers, as in water, or where directors are getting fat when employees are being sacked and consumers are unhappy, as in gas, a political backlash builds. The lack of a clear link between the welfare of customers and the returns to investors and directors is, in Professor John Kay's view, potentially lethal for the present regulatory system. And privatisation becomes more contentious as disposable assets run down, as the easiest are sold first. Even Mrs Thatcher thought British

Desert of competition: price rises and drought have angered water industry customers

Rail a privatisation too far, so the sale in May of Britain's Railtrack could rebound on the government if it coincides with consumer misery.

Which countries stand to benefit most?
Privatisation will help many developed countries improve their public finances. But developing countries, and countries in the former communist bloc, are the biggest potential beneficiaries because of the underdeveloped state of their private sectors. As well as enjoying the proceeds from the disposal of assets, finance ministries in such countries usually pay out substantially less in future subsidies as a result of privatisation. And the market mechanism is a more efficient method of allocating resources than the bureaucracy. Wherever the state is bloated and policy bad, privatisation offers disproportionate economic benefits.

John Plender

Borderlands struggle to find their role

DATELINE

Ukraine and Belarus are challenging the Russian tradition of keeping dependent vassals on its western border

Anthony Robinson

The ultimate political and economic shape of 21st century Europe could well be determined by the fate of Belarus and Ukraine, the two former Soviet territories occupying the "borderlands" of a continent whose eastern frontier is still to be politically defined.

Minsk, the capital of Belarus, has theoretically been the "Brussels of the east" since the Commonwealth of Independent States was hastily set up there in December 1991 to ensure some form of institutional co-operation between the successor states of the former Soviet Union. Until now, however, the CIS has proved a hollow reed.

This is due partly to the unexpectedly strong determination of Ukraine's post-independence leaders to build their own national institutions, and partly to the unresolved struggle in Moscow between the "modernizers" striving to make Russia a modern nation-state and the pan-Slavists – in neo-communist or neo-nationalist guise – who believe that Russia's destiny lies in the re-constitution of a modified post-Soviet Union.

In contrast with Ukraine, Alexander Lukashenko, the maverick president of Belarus, has repeatedly tried to forge closer economic and other links with Moscow, though with limited success.

Although Belarus has only 10m inhabitants, it is almost as big as

Poland. It is littered with over-sized Soviet era factories and Warsaw pact military installations, and is seen by Russian pro-market reformers as a liability whose economic demands threaten Russia's own stretched economy.

"The prime minister went to Moscow in 1994 to sign a currency agreement which would have led to economic re-unification with Russia. But nothing came of it," recalls Uladzimir Syanko, the Belarus foreign minister. Minsk then made a fresh attempt to re-build links with Russian factories through a customs union.

"The main benefit would have been supplies of raw materials, including oil and gas, at domestic Russian prices. But Russia has not fully implemented that part of the agreement," Syanko added on a visit to London for talks with Malcolm Rifkind, the UK foreign secretary, and to open an embassy.

Meanwhile, efforts to develop relations with western Europe have been frustrated by the autocratic and unpredictable ways of President Lukashenko, a former collective farm manager. However, discontent with Lukashenko's strong-arm tactics against opposition forces, the media and private entrepreneurs was reflected in an unexpectedly high turnout in two rounds of voting which created a working quorum for a new parliament.

The voting also secured the election of three of the country's most prominent post-independence personalities, including Stanislav Shushkevich, the former speaker, and Stanislav Bagdankevich, the reformist former chairman of the central bank.

"It's very good to have such people in parliament. We're now going in the right direction," said Syanko, whose visit to London was part of an effort to widen political and economic links with EU states as well as Poland, the Baltic states and Ukraine. This is starting to pay off. Trade with the UK, for example, doubled last year to around $40m.

Meanwhile, for Belarus and Ukraine, as well as the Baltic states and Russia, the dynamic growth of private enterprise and rising wealth in central Europe, especially in Poland, is changing the environment in which they operate.

For the first time in living memory, the borderland states of Europe are no longer hemmed in by impoverished and or oppressive states, but enjoy relatively open borders and freedom to move and trade.

Every day, thousands of citizens from Belarus, Ukraine, Latvia and Lithuania pour across the Polish border to trade and re-sell cheap but reasonable quality consumer goods at a profit back home.

To stock up, many travel as far as the fast-growing textile markets around the central Polish city of Lodz, fuelling a boom in the once depressed Polish city and injecting an estimated $5bn-$7bn a year into the Polish economy. Profits made through this private trade are also helping the new business people of the borderlands to build up the capital and skills needed to restructure their own economies.

Belarus and Ukraine, with their high proportion of heavy industries, inherited a particularly bleak economic legacy. For Belarus, which was the forward staging area for Warsaw Pact forces, the legacy was made even worse by the Chernobyl nuclear accident.

Fall-out from the Ukrainian plant contaminated nearly a third of its territory, cutting farm output and diverting scarce resources from the daunting task of revamping oversized arms, ball-bearing, tractor, truck and electronics factories.

"The problem is that nobody has worked out a way to privatise these giant plants anywhere in the former Soviet bloc," says Syanko.

Both countries hoped that dismantling the vast nuclear arsenals once stored on their territories, and opting for non-nuclear status, would have entitled them to far more western aid and assistance than has materialised. Ukraine, for example, is still pressing for funds needed to close Chernobyl and replace nuclear power with gas-fuelled plants.

But Sergei Osyka, the Ukrainian minister for foreign economic affairs, holds out the prospect of a profound change in Ukraine's economic prospects as western oil and gas companies step up their exploration and production activities.

"In the 1960s, the Soviet regime decided to neglect Ukraine's proven but relatively deep oil and gas reserves and concentrate on developing the distant but shallower reserves of Siberia," he recalls.

"Today, Russian and western oil and gas companies are concentrating their attention on central Asia. But these resources are also distant, difficult to develop and expensive to transport. Some of the more innovative western companies are turning to Ukraine, which is much closer to western Europe and has 52m domestic consumers."

Under the umbrella of the Central European Free Trade Association, former members of the defunct Comecon trading area are busy re-building intra-regional trade on a new private enterprise basis.

As this intra-regional trade expands again, western business is also starting to look beyond the fast-track reformers of central Europe to the borderlands beyond.

One question is whether Moscow can be persuaded that Russia's best interests are served by the maintenance of prosperous independent states on its western borders – or by dependent vassals, as so often in the past. Another question is: do Europe's politicians care?

PEOPLE

Renschler cuts loose

Wolfgang Münchau profiles a rule-breaker at Mercedes

At 37, Andreas Renschler is one of the youngest top managers in German industry. Yet as president of Mercedes-Benz US, he oversees a budget of some DM1bn ($0.60bn), the cost of starting up Mercedes' first car plant outside Germany, which is to produce a new range of four-wheel-drive cars from 1997.

In a corporate culture where 55-year-olds are considered young, Renschler's rise is no mean accomplishment. He puts it down, modestly, to a generous dose of luck, plus the support of others, including Helmnt Werner, Mercedes' chairman, and Jürgen Hubbert, the firm's bead of cars.

Renschler's management style symbolises the change in culture at Mercedes-Benz, from a top-down hierarcby towards a horizontal organisational structure; from aloof uniformity to shirt-sleeved informality. Yet Renschler grew out of the old Mercedes-Benz culture, which bas not only tolerated a degree of non-conformist behaviour on his part but also – in some ways – encouraged it.

Renschler joined Daimler-Benz in 1988 after university, and had a spell as assistant to Werner Niefer, the former chairman. He was in charge of two projects in Latin America, but failed to land his "dream job" in Argentina.

Instead, he was put in charge of a small team examining prospects for 4W-drive vehicles, which concluded that Mercedes-Benz could build one that would be sufficiently different from rivals' models to succeed in a highly competitiva sector. They also recommended building them in the US, the biggest 4W-drive market.

Renschler's project started just as the long boom in Germany's car industry was coming to an end; Mercedes-Benz accepted the need to embrace change. In Tuscaloosa, Alabama, chosen as the site for the new plant, Renschler is now completing the project whose feasibility he once studied. Every other week he commutes between Tuscaloosa and the outskirts of Stuttgart, Mercedes-Benz's headquarters.

Renschler: setting up US plant

"We would not have made it had there not been a general sense of change [at Mercedes]," says Renschler. "If this had happened in normal times, we would have hit trouble. But at that time there were the first dark clouds on the horizon." There was pressure: "not just pressure on cost savings but also cultural change... Without this new mentality we would not have managed. We were lucky."

The project is being tightly run, and the new model is still veiled in secrecy. "We stipulated that it had to be a separate team, 12 or 13 people, with a separate budget, free from line management obligations, in separate offices, answering to a single member of the board," says Renschler.

A few miles from Mercedes' sprawling headquarters offica blocks, Renschler runs a small, high-security plant developing the model. Every day, for about three to four hours, Stuttgart and Tuscaloosa communicate via video screens. Some managers commute every week.

The Tuscaloosa plant is a rapidly advancing building site, managed by Renschler and his even younger team, who camp out in makeshift hnts. Once it is completed, Renschler says with pride, there will be no reserved car parking for executives. Even the chairman will work next to everybody else in the same open plan office.

In almost every respect the setup at Tuscaloosa will be the opposite of the traditional German office, with its long corridors, name plates and front rooms. Renschler dislikes structures that divide and separate.

"The more barriers you erect, the less they tell you," be says. "Communication is the most important thing, no matter which company you are in. In the old days [at Mercedes-Benz] we had a canteen for workers and clerks, then we had a 'silver spoon' [canteen] from a certain level onwards, and then we had a 'golden spoon'."

Renschler's rise was not completely smooth. A friend remembers that "there were some critical situations because he did not get on with Professor Niefer as well as he could bave. It was not that he did not like the guy. On the contrary. But it was felt that Renschler was always at a new party when Niefer wanted him at an old party. Starting something from scratch was what he really wanted to do."

Getting control of the 4W-drive project was Renschler's big break, giving free rein to his creativity. But in his view, the rules within German companies are strict only for those – the vast majority – who follow the standard game plan.

Renschler says thst althongh Mercedes-Benz is a company with traditional bureaucratic systems, its culture nevertheless permits a few people to take risks and to break out of the system. For people such as him, he says, there *are* no rules.

NAMES IN THE NEWS

Wallenberg's very modern executive on Gambro's trail

Mikael Lilius, chief executive of the Wallenberg industrial group Incentive, skipped his family's New Year skiing holiday to stitch together last week's SKr10bn bid to swallow the medical technology company Gambro, writes Hugh Carnegy in Stockholm.

But such are the demands on the modern executive that when he finally did get away, baby-sitting duties still kept him off the slopes. The affable Lilius was cheerful none the less. "These are very exciting times," be declared.

An ethnic Swede from Finland, 47 this year, Lilius is one of the "young Turks" of the Wallenberg sphere, leading the quest to add modern, high-growth investments to an empire traditionally dominated by cyclical stalwarts like engineering and forestry.

He was brought into Incentive in 1991 to refocus the operation in growth sectors. It was then a low-earning ragbag of second-line Wallenberg assets – a poor relation to the blue-chip vehicle, Investor.

Even when Gambro had been identified as a target, there was a problem. "At the end of the rope that led to Gambro was Volvo, which was then its ultimate owner. Only after the collapse of the Volvo-Renault merger, when it became clear Volvo was going to sell non-core assets, did things start to happen," Lilius recalls.

In mid-1994, Incentive gained a majority voting share in Gambro – the world leader in renal care. Now it is seeking to complete a full takeover. Further divestment of other industrial interests in areas such as cargo bandling, military vehicles and power, will follow.

Lilius hopes the 30 per cent "conglomerate discount" Incentive shares have habitually suffered will soon be a thing of the past.

Thai shenanigans

Thailand's financial officials have traditionally been a low key bunch, writes William Barnes in Bangkok. Their joh is to keep the economy growing st s fast lick and avoid parliamentary shenanigans.

However, over the last fortnight they have been involved in an unseemly bust-up. Ekamol Kiriwat lost his joh as bead of Thailand's Securities and Exchange Commission and deputy governor of the central bank, and Surakiart Sathirathai, the finance minister who sacked him, has been demoted.

Ekamol, widely sdmired for bringing some unaccustomed discipline to Bangkok's rumbustious stock market, probably paid the price for speaking his mind. He had been instrumental in charging one of Surakiart's former legal clients with stock manipulation, and had been critical of his decision to bail out small investors in November after a bankrupt investor sbot himself.

Though Surakiart's demotion is less of a loss – at 37, he has little financial experience – there has been speculation that he has been used as a scapegoat and that Ekamol's downfall was in fact engineered by central bank governor Vichit Supinit.

They have long been rivals and temperameotal opposites. When the baht was under threat during the Mexican currency crisis, the finance minister at the time, Tarrin Nimmanahseminda, asked both men for their advice. Vichit wanted to introduce exchange controls. Ekamol counselled the opposite. Tarrin took Ekamol's advice and the baht survived.

TELEVISION

■ The year is young bot already we spot two front-running treods. Neck and neck as we speak are Jane Austen adaptations and Las Vegas sex sagas. Austen offers *Persuasion* this seek, soon to be followed by *Sense And Sensibility*. From Vegas comes *Showgirls*, the tale of a girl seeking fame as a "lap dancer" (for further details see film), with Scorsese's *Casino* and the powerful *Leaving Las Vegas* due soon.

The only lap-dancing in *Persuasion* is performed by small dogs striving to catch an earful of Miss Austen's matchless dialogue.

This unstarry but quietly sparkling BBC-produced film won rave reviews in America, which prompts us to ask: Why did they get it first?

■ They also got *Showgirls* first but were welcome to it. Awash with nudity, this sex-and-sleaze exposé shook all moving body parts at its US audiences, who responded by moving out of cinemas. The high-profile box office fiasco was created by Joe Eszterhas and Paul Verhoeven, writer and director of *Basic Instinct*, who made two basic mistakes. With nudity yon need eroticism, with violence tension and/or human interest.

Denzel Washington finds trouble in the shape of a Devil in a Blue Dress

■ *The War*, a sentimental family fable starring Kevin Costner, also slumped in America. But *The Devil In A Blue Dress* won eulogies for its '40s-set thriller involving murder, blackmail and Denzel Washington. Director Carl Franklin (*One False Move*, 1993) is a name to watch.

■ On video small pleasures compete with large follies. You will bless the fast-forward button as you watch *Hoffa*, the three-hour Jack Nicholson-starring trade union melodrama, or the costly comic-strip lunacies of *The Shadow* and *Star Trek: Generations*. But you will linger happily over *Miami Rhapsody*, an astringently funny tale of love and manners in the Woody Allen style.

Nigel Andrews

MUSIC

■ The Bang on a Can All-Stars is a collective of New York-based young composers and players who consider themselves to be "too funky for the academy and too structured for the club scene".

Their solution – a bewitching fusion of European classicism and American minimalism shot through with rock and jazz edginess – make a truly jolting start to the New Year's albums.

■ *Industry* (Sony Classical) is dominated by the Dutch composer Louis Andriessen, but also includes fine pieces by Julia Wolfe, David Lang and Michaal Gordon. The sound throughout features startling combinations of percussion, saxophones, guitar and keyboards, occasionally locked together in tant rhythmic unison (Lang's mischievously titled "Anvil Chorus"), hut also allowed to roam into improvisation (the Mahavishnu intensity of the climax to Wolfe's "Lick"). It is all reminiscent of some of the late Frank Zappa's best work, and, refreshingly, dares to make demands on the listener.

■ Charlie Dore was identified, along with Kate Bush and Judie Tzuke, as one of the brightest female singer/songwriter hopes for the 1980s. It did not happen, however, and Dore went into a long sabbatical from performing, preferring to concentrate on writing. *Things Change* (Grapevine) is her first album for 13 years, bnt perhaps she needs a couple more to catch np with the times. The songs are well-crafted, polished and intelligeot, striving for timslessness but sounding just that little bit dated.

■ *Wild One – The Very Best of Thin Lizzy* (Vertigo) is a pretty comprehensive account of a band which managed, with rars accomplishment, to unite headbangers and boppers at a time in rock history when you were one or the other. *A River of Sound* (Hummingbird) is a sweet, melodic collection of Irish traditional music from the recent television series of the same name.

Peter Aspden

The pace of expansion in the headhunting industry is being matched by its rapid change of image, writes **Richard Donkin**

Professionals lured by respectability

Chief Executive; Lawyer : Banker ; Headhunter

Standing in the shadows behind almost every big boardroom defection is the anonymous figure of the headhunter, proficient in the techniques of corporate seduction but still little known outside the highest echelons of business.

For many people the work of headhunters – or executive search consultants to give them their Sunday name – is a mystery. But among decision makers they have become as much a part of corporate life as the accountant and the lawyer – with salaries to match.

Headhunting has become a swiftly expanding industry rivalling other areas of management consulting in its pace of growth.

A recent report by the Economist Intelligence Unit valued worldwide search revenues this year at between $3.5bn (£2.3bn) and $4bn. European revenues account for about a quarter of this. In 1994 the top 20 firms shared a net revenue in Europe of $580m with annual increases of between 20 and 40 per cent in both 1993 and 1994. Growth in 1995 shows no signs of easing off.

The EIU report puts a positive gloss on the search business, portraying headhunters as highly skilled industry experts often with as much knowledge and status as those they were placing on the boards of companies. It was well received in an industry which complains that it is too often portrayed as a talent snatcher, luring satisfied executives out of their existing jobs.

The image has by no means disappeared and even some headhunters recoil from the suggestion that they are as able as the people they recruit. One industry veteran said: "It is very easy in headhunting to get delusions of grandeur because we find ourselves moving among industry and commerce. To put it quite crudely we are prostitutes. We are not even mistresses."

Comparing the oldest profession to one of the youngest may not be entirely appropriate but both of them have struggled to be accepted in polite society. Headhunting is not the sort of job that attracts knighthoods but it does register a high cuff-link count – they dress the part – and in the past few years it has been attracting increasingly talented individuals.

Most headhunters take specialists straight from senior jobs in industry or they headhunt from each other. Egon Zehnder International, which has the biggest revenues in Europe, is somewhat unusual in that it never recruits other headhunters but takes raw talent with an MBA or other business qualification and often with a consultancy background. Many of its partners are ex-Harvard Business School or ex-McKinsey consultants.

The firm has pioneered the concept of the headhunter as consultant. It brings in high-calibre people from outside the industry who know from the outset that the time to partnership will be six years.

John Grumbar, managing partner of Egon Zehnder's London office, says: "We shy away from this word headhunter. We are trying to make it a profession where people are buying the service," he says.

Like Egon Zehnder, the biggest operators are going for "global reach", establishing or, in some cases, buying local offices overseas so they offer an international search capability to clients.

The market is also attracting niche players who concentrate on a single industry sector or geographical area. Eric Salmon & Partners, for example, though not among the largest of firms, has in the words of one of its competitors "sewn up the Paris-Milan axis".

To cover this demand for specific expertise the biggest firms now have industry specialists within their ranks who tend to know not just the people in their sectors but the businesses too.

Matthew Wright, who covers the financial services sector for Russell Reynolds Associates, says: "You cannot work in this sector without understanding the mechanisms of the business."

Unusually Wright joined Russell Reynolds straight from studying law nine years ago. "There is a generation coming through now that sees headhunting as a career," he says. Each firm has its own characteristics. Many have their star players like Korn Ferry's Windle Priem who dominated the US east coast financial sector during the 1980s.

The big name headhunters can often point to successful placings which help to promote their reputations. Sir Colin Marshall's success at British Airways remains a powerful advertisement for the skills of Miles Broadbent, of Norman Broadbent International, who helped put him there.

When the placing goes wrong, however – as it has done with Michael Lawrence, who has just been dismissed as chief executive of the Stock Exchange – it can reflect on the headhunter who put him there. In this case John Viney, of Heidrick & Struggles, who carried out the headhunt, admits that Lawrence did not ultimately fit in the job but he points to the reluctance of others to accept the need for change. "I have to accept some of the blame for this. I am helping and advising the board. My job is to get the highest calibre individual for the post. There is some risk associated with it, especially if I fight for him."

He said that Lawrence had thought "long and hard" before taking the job. "He had to ask himself: 'do they want change and have they got the stomach for it'."

In such high-profile moves the role of a headhunter can be crucial to the future performance of a company. This may prove the case in the search for James Ross's replacement as chief executive at Cable and Wireless. The sudden departures of both Ross and Lord Young, the chairman, is perhaps an extreme example of the unexpected problems that a headhunter may be asked to solve. In this case the departures were messy and damaging, triggering a mass of criticism about the company structure, its future and accompanying takeover speculation. The headhunting assignment in such circumstances is as tough as they come, bound up, as it must be, with deciding the strategic direction of the company.

Dealing with nothing less than a crisis, in this case, demands the sort of industry expertise identified by Nancy Garrison Jenn who compiled the EIU report. She says: "They have to speak the same language as their clients."

While part of this talent involves looking the part and acting the part, it does take time for those who enter headhunting to work their way into the job.

Miles Broadbent says that in the beginning, at least, a newly recruited headhunter with no previous experience in the business generates very little for the partnership. He says: "In the first year I don't expect them to generate any assignments of their own but they do assignments under supervision." By the second year, he says, they should be generating about half of their assignments themselves and by year three they should have become self sufficient. In year four they should be handing over surplus assignments to less experienced colleagues.

The telephone is probably the most useful weapon in the headhunter's armoury. As one of them points out: "A chief executive will take calls from three types of people: journalists, headhunters and his mistress." Broadbent nicknames the telephoning system "smile and dial". He firmly believes that approaches to potential candidates should only be carried out by headhunters themselves. "I think if you are doing a senior job, a senior person should call up a senior candidate and should know the whole story," he says.

A call from a headhunter, however irksome, tends to stimulate two powerful human characteristics, one is the ego – it is flattering – and the other is curiosity, the urge to find out more about the job.

But even curiosity disappears among the most successful executives in high-profile roles who have grown tired of headhunters' attentions. As Broadbent points out: "The guy you really want is the guy who's perfectly happy in what he's doing."

He says that timing is an important part of the job. Broadbent watched the career of Neville Bain when he was finance director of Cadbury Schweppes for several years because he knew that Bain would probably lose out when the top job arose at Cadbury. Bain had all the qualities to be chief executive except that Dominic Cadbury was six months older than he. When Cadbury got the top job Broadbent was in a position to move in and secure Bain for the chief executive's job at Coats Viyella.

The way Broadbent often works is to turn an assignment on its head. When asked by a retail company to find a property director whose job would be developing out-of-town supermarket sites, he approached leading surveying firms and asked them who had impressed them most in recent negotiations. The client company had made up a list itself of all the retail property directors and was trying to ring them one by one. Their eventual choice was on the list but they had not got to him yet. "We got somebody in six weeks by this method. If you want to find a sales director you talk to buyers. If you want a buyer you talk to sales directors," says Broadbent.

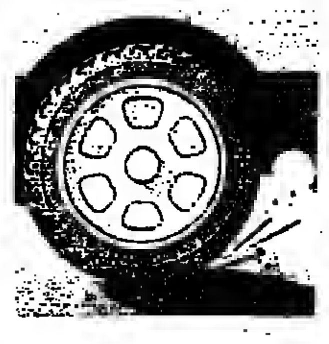
The traditional search fee is split like this: a third of the fee is paid when the search contract has been secured, a third after a shortlist has been delivered and a third upon the executive signing a contract with the new employer. Typically the whole fee is a third of the first year's gross remuneration, payable in stages over the length of the search which is often billed on the basis of a 90-day assignment.

With highly paid posts, however, where the first year's salary package might be approaching £1m, fixed fees have become more common. As headhunting has become more established, the fee structure has become most vulnerable to pressure from customers. Headhunters will often find themselves pitching for a particular assignment and price will be a factor.

The business has developed in a series of breakaways and buy-ups but the way that the bigger companies have been moving is to take on extra functions such as establishing subsidiaries involved in selection covering lower-paid executive jobs where advertising is commonly used. Some headhunters are also pursuing opportunities in the recruitment of non-executive directors to fulfil the best practice recommendations in corporate governance laid down in the Cadbury report.

Garrison Jenn belives that the demand for international searches and specialist knowledge will be big influences over the next few years. The spread to new markets in eastern Europe and south-east Asia has also defined expansion in recent years.

Another feature may be a spread into other recruitment areas. The fully integrated recruitment practice featuring search, selection, interim management and outplacement may not be too far away. In the meantime, looking at the outfall from the top jobs at the Stock Exchange, Cable and Wireless and Amstrad in recent weeks, the headhunter seems to be enjoying a rare commodity in today's marketplace – job security.



FAST TRACK

Dalim

Dance names such as Calypso, Bolero, Flamenco and Tango conjure up images of leisure and entertainment rather than hard-boiled commerce, but the German company which uses them for its products is in a highly competitive and fast-moving sector – computerised colour and graphics systems.

Founded by a Frenchman, based in Frankfurt and now pushing strongly into the US and Asia, Dalim – named after Salvador Dali, the surrealist painter – certainly has global ambitions. But the young company, now growing at a rate of 50 per cent a year, has also had setbacks.

Dalim began as a provider of business graphics software. It was initially successful but hit a problem in 1990 when Tektronix of the US pulled out of the computer workstation market. Tektronix hardware had been the platform for Dalim's product.

Francis Lamy, the 37-year-old founder and president, was thus forced to change tack. The way he did so, helped by venture capital companies, laid the foundations for the growth achieved today, with 1995 sales of DM25m (£11m) expected to rise to DM38m in 1996.

Lamy decided Dalim's systems for the pre-press industry should be software-oriented, based on the Unix operating system and the PostScript editing language. He also opted for object orientation, in which programs are written for specific functions. Dalim systems run mainly on Silicon Graphics and Sun Microsystems workstations.

Dalim's colour imaging and manipulation systems are sold worldwide. Among its foreign customers are Colourscan Overseas of Singapore, Mullis-Morgan of the UK (handling colour advertising for News International and Express Newspapers), Quebecor in Canada and North American Color of the US. In Germany, big users include Burda (for Focus magazine, the rival to Der Spiegel) and Axel Springer.

It is also branching out into packaging, textile and ceramics printing, workflow management and digital multimedia storage of picture, sound and video data for a variety of applications. Having moved beyond Europe, it is now building up its base in the US and has plans for Japan.

Some 70 per cent of the company is owned by venture capital companies – including Techno Venture Management (TVM), Hanseatic and Atlas Venture (Dutch-owned) from Germany, APM of the Netherlands and Jafco (Japan) – which have invested DM30m.

Lutz Thiele, the chief executive, says Dalim has just reached break-even and plans a share listing on the US's Nasdaq stock exchange at the end of 1996 or early in 1997. Germany accounts for more than half its sales and the US for 30 per cent.

But Dalim's aim is to have roughly 40 per cent of its sales in the US, 30 per cent in Europe and 30 per cent in east Asia, he says: "Forty or 50 per cent of the world market is in the US. If you can't exist in the US, you'll stay a geographical niche player."

Dalim has strong competition. But its rapid growth into new sectors and markets has given it a powerful potential. "The whole [printing] industry is developing so that it will become completely digital," Thiele adds. "Our software engineers have taken a fresh approach to a traditional industry."

Andrew Fisher

Cheated by the world's 'best' manager

LUCY KELLAWAY

Who are the best managers in the world? I have no idea but I would love to find out. Thus I fell upon last week's copy of BusinessWeek magazine, which promised to reveal the 25 top managers of the year.

Yet as I read about these "top winners in the global game" as the magazine called them, I started to feel cheated. Take the two women in the sample. Ana Patricia Botin, chief executive of Spain's Santander Investment, apparently has the "penetrating gaze and workaholic drive" of her father, chairman of the same outfit. Botin may be good at her job, but is she really one of the 25 best managers in the world? Or is she on the list because BusinessWeek cannot bring itself to admit that there are no women in the tip top league? The other woman, Patricia Stonesifer, appears to have done great things running her division at Microsoft. But why has she been included when Bill Gates gets no mention?

The more you think about it, the more ridiculous the list seems. Why has Robert Ayling been named a best manager of 1995 when he only started in the big job at British Airways last week?

Indeed, what is a good manager anyway? According to the magazine, top managers have "ridden the tiger of growth to spectacular success". But surely financial performance is only part of a complex and subjective calculation.

Nevertheless, the 25 BusinessWeek managers should enjoy their stardom while they can. Our hunger for spotting winners is exceeded only by our hunger for scapegoats – as evidenced by last week's new British TV series hounding fallen executives. But I would like to know how these corporate heros and villains are supposed to fit in with today's flat, empowered organisation. We are endlessly being told that the sucess of a modern company is down to *all* its staff.

Last week this newspaper took the novel step of telling its British readers what to wear. In its leader column last Thursday it urged City slickers not to follow the US practice of dressing down on Fridays, but instead to be both more casual and smarter ever day of the week. London bankers, the Financial Times concluded, should emulate their opposite numbers in Paris, Milan and Frankfurt.

I would like to distance myself from this view. European harmonisation may be an excellent idea when it comes to the Investment Services Directive. But when it comes to wardrobes I find myself strongly in favour of maintaining national differences. It goes without saying that the average Milanese banker looks crisp and colour co-ordinated, whereas the less said about the average City banker's appearance the better. However, it does not follow that the latter should copy the former. If British men want to dress cheaply and carelessly – surely that is part of their peculiar charm.

But a stronger point against is the near impossibility of changing the British man's wardrobe. Persuading them to start wearing elegant silks and linens would be about as difficult as persuading the British public that the lottery is not a good bet.

Finally, I am against the continental-style City slicker on the grounds that he would damage the national economy. The elegant fabrics and choice of colours that are found on the Continent do not come cheap. Neither are they the sort of thing that British companies are good at making. Just imagine what the change in style would do to our balance of payments, let alone to the profits of Marks and Spencer.

Once upon a time companies used to invite customers to complain if they felt they had received bad service. That seems to be going out of fashion judging by a notice that has just gone up at my local tube station. It makes no mention of complaint; instead it asks passengers to "comment" on the service and to "commend a member of staff". London Underground may feel this sounds more upbeat. But if I had suffered the usual Monday morning nightmare with half the ticket machines out of order, I would not find the invitation to commend anyone amusing. And even if a member of the Underground staff had done something deserving of a herogram, I would prefer to send one spontaneously.

Returning to the subject of what makes a good manager, one thing is clear: reading management books has nothing to do with it. I was interested to see on this page last week the book recommendations of senior management figures. The only ones who seemed to have spent any time poring over management texts in 1995 were the business school professors. For the most part executives were too busy in 1995 managing to read about management. And if they did have time to read books it was more likely to be about the real economy than organisational theory.

If you are still wondering about new year resolutions, then try volunteer work. It could be good news for both your ego and your career

When giving is profitable

When Mary Margaret VanDeWeghe, managing director and recruiter at US bank J.P. Morgan, looks at candidates from the world's top business schools, she does not limit consideration to academic success. She also scans applicants' backgrounds for volunteer work.

"Volunteer work shows character, important in today's business world where we are concerned about ethics," she explains. "There are other benefits, too. Once they're in the work environment, volunteer work is often a way executives make contacts and build their networks. That's the kind of person we want."

US business schools are getting the message and are putting a new emphasis on volunteer work. They are establishing formal volunteer programmes and reporting a tremendous surge in student interest.

At Columbia Business School, for instance, about one-third of students now volunteer for community work on a regular basis, compared with just 4 per cent five years ago. Nearly half of Boston College's business school students are involved in the volunteer programmes.

Wharton, at the University of Pennsylvania, has gone so far as to make community service e part of the required curriculum for its undergraduate business students, who receive grades based on their performance. Columbia and Boston College are considering similar moves.

"The stereotype of the business school graduate has always been the me, me, me money-grubber whose only concern is for wealth," says Scott Caganello, assistant dean of student affairs at the Columbia Business School. "These sorts of programmes help to counteract that image." Business schools say they are also looking more at extra-curricular activities such as volunteer work at the admissions level, so they are dealing with a student body orientated to outside service activities.

Both the students and the business schools see value in volunteer work beyond the altruistic. One advantage is improved business school relations with the neighbourhoods in which they operate. "We realise that we are part of a community, and the fate of Wharton is linked to the fate of west Philadelphia," says Michael London, who teaches the required volunteer course at the school.

Students may grow from the experience as well. Administrators and professors complain that their charges too often come from sheltered backgrounds that offer little contact with people of different ethnic backgrounds and economic means.

In today's corporate America, the ability to mix with workers of different backgrounds is considered central to success.

"The chance to spend time with people outside the business school environment is important," says John Hill, who, as a student, headed up the volunteer programmes at the Amos Tuck School of Business at Dartmouth before being recruited by Boston Consulting. "We worked with prisoners, for instance. That can be an eye-opener for someone used to a more homogeneous environment."

Administrators and recruiters also say the programmes can build leadership and teamwork skills, and can give students a chance to put into practice the tools they learn in the classroom.

Not everyone believes there will be a pay-off come recruiting time. "I think a lot of the recruiters still pay a lot more attention to grades," says Louis Corsini, dean of the Boston College business school. "But volunteer work is now a valuable part of the business school experience."

Victoria Griffith

For a few dollars less

As a US business school graduate given the choice between a $100,000 (£63,000) job on Wall Street or a $300 a month posting in Poland which would you choose?

A surprising number of volunteers are taking the latter course by signing up with the MBA Enterprise Corps, a non-profit-making organisation which sends young business managers to work in eastern Europe for periods of 12 to 18 months.

The deal is a little better than $300 a month because the graduates also receive travelling expenses plus a flat provided by the host company. That said, this is far from a conventional expatriate package.

Corporate America, therefore, might wonder why some of its brightest young business talent is willing to overlook a US salary for a while longer. The answer, according to Janet Jones-Parker, the programme's corporate relations director, has something to do both with altruism and the belief that the scheme will increase career prospects.

The programme, run from the University of North Carolina, Chapel Hill, is funded mainly by the US government. At present it is only available to US citizens and Green Card holders. The programme members are typically graduates who have worked five years before doing a two-year MBA course. Some have resulting debts of between $50,000 and $70,000 which they can defer until their posting is over.

The assignment starts with a three-month intensive language course before going to the host company. A country manager vets each of the postings to ensure they are offering suitable scope for management development.

More than half the young managers stay overseas when the posting has ended. "One couple I know set up a tee-shirt printing business in their kitchen. It is now one of the biggest textile printers in Poland employing 80 people in 7,000sq ft of factory space," says Jones-Parker.

Some 350 managers have been through the programme to date, many working in the expanding financial sector. George Collins, a law graduate from the University of Virginia, joined MBA Enterprise in 1992 and worked for a year as adviser to the general director of Posovni Banka, formerly the Polish postal bank. After the programme he joined the Prague office of CS First Boston. Today, at 33, he is an equity partner and managing director of Patria Asset Management, a company for Czech institutional and retail clients investing in Czech service industries.

Collins says: "Here I'm a big fish in a small pond. It just keeps getting better".

Richard Donkin

BUSINESS TRAVEL

French fares fall

Moves to open European airline routes to more competition sparked a price war in France as two companies cut rates on the Paris-to-Nice route. AOM, a subsidiary of the state-owned Credit Lyonnais bank, said it would introduce a fare of FFr690 (£89) for a return journey to match a similar tariff by Air Liberté.

Under a law which came into force on January 1, all French airlines have the right to fly domestic routes without restriction in a dress rehearsal for deregulation next year when airlines of one EU state will be able to operate domestic routes in another.

Several small airlines pioneered the deregulation campaign last year, with AOM and Air Liberté flying several routes from Paris Orly.

Coinciding with the challenge, Air Inter relaunched itself as a low-cost, no-frills European airline under the new name of Air Inter Europe.

The relaunch also marks a fightback by Air Inter against a gradual loss of domestic market share to the TGV high-speed train.

Strike fears

Deutsche BA, the German airline affiliated to British Airways, will seek further talks with public-sector union OeTV to try to head off strike action.

Deutsche BA director Richard Heidekker said the dispute centred on OeTV's demand to set up a unified wage structure.

● Northwest Airlines will a launch a non-stop service from Detroit to Beijing on May 1, offering the first non-stop service by a US airline to China.

The thrice-weekly flights are possible under a new agreement between the US and China announced last month.

Airport food savaged

Food critic Egon Ronay last week savaged the airport food at Paris Charles de Gaulle airport, but said that caterers at London Heathrow were miles ahead of their continental rivals.

Comparing standards at Charles de Gaulle, Heathrow, Amsterdam's Schiphol and Frankfurt airports, he said some dishes at the Paris airport were fit only for "people who have damaged their palate in some way".

Ronay and a fellow inspector covered four food outlets at each airport in November. He concluded that many Heathrow caterers make better coffee, better chips and even better croissants than their continental competitors.

However, Schiphol "is for the food masochist", he said. "Anybody who eats at Amsterdam airport needs to have his head and palate examined. It is below criticism."

Frankfurt was better than Charles de Gaulle or Schiphol, but he said: "All the catering, including the food, exudes inefficiency."

The low points were an "absolutely scandalous" croque monsieur and "rather laughable" croissant in Paris; and a hot-dog sausage at Schiphol which tasted "like a piece of leather".

Heathrow still busiest

Heathrow is still the busiest international airport in the world, according to a survey.

London's main airport is set to handle about 625,000 passengers on international non-stop flights departing in the week of January 15-21, according to the figures.

But US airports deal with more passengers as a whole. Chicago's O'Hare airport, its figures boosted by hordes of domestic travellers, tops the list with a total of more than 954,000 passengers due to depart that week.

In a table dominated by American airports, the only other European hubs in the top 20 are Frankfurt, placed ninth, and 17th-placed Paris.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	11	5	8	8	7
Hong Kong	21	20	20	20	22
London	12	12	10	10	9
Frankfurt	3	2	3	3	5
New York	5	4	3	1	4
L Angeles	25	28	28	26	27
Milan	6	4	3	4	7
Paris	11	10	9	10	10
Zurich	5	6	5	6	5

Information supplied by Meteo Consult of the Netherlands

Maximum temperatures in Celsius

Townhouse hotels with an emphasis on personal attention and a friendly ethos are flourishing, finds **Amon Cohen**

Good things can come in smaller packages

There is nothing more galling for frequent business travellers than being told by deskbound colleagues that jetting about is a lucky, glamorous existence.

The excitement of business-class flying quickly palls in the face of disruptions to domestic life and the strain of living out of a suitcase.

Worst is spending endless nights in hotels where the foyers and bedrooms look the same from Milton Keynes to Manila and guests start behaving like robots, clicking in and out of sleeping quarters with an electronic pass.

It is small wonder, then, that recent years have seen the flourishing of townhouse hotels – small properties where the emphasis is on personal attention, individually decorated rooms and an ethos of friendliness rather than servility.

"Townhouses have a very useful job to do, which they do extraordinarily well, of giving a feeling of being a private house," says Giles Shepard who recently became managing director of the Ritz Hotel in London.

Shepard is well qualified to pronounce on the matter, for the epicentre of the townhouse movement is London, where relatively small operators claim they have been chipping away at the customer base of the more expensive grand or "palace" hotels.

In 1990, there were nine townhouse hotels in London. Today there are 28. They range from well-known names such as Dukes Hotel in St James's to Anoushka Hempel's Blakes and the Sloane Hotel in Chelsea, where all items in the rooms are for sale.

The trend is also manifesting itself in continental Europe, with 13 townhouse hotels in Paris and two in Brussels. Many similar properties are planned to open in the next year or so. Grace Leo, proprietor of Le Montalembert in Paris, is advising two members of the rock group U2 on the opening of the Clarence in Dublin next May.

Meanwhile, Peter de Savary, the property developer, plans to relaunch the Fenja in Chelsea, west London, next April, the same month that the 52-bed Hempel is opened by its eponymous owner in Craven Hill Gardens and the Draycott, also in Chelsea, is revamped as Cliveden Townhouse.

'The average room rate of townhouse hotels is now creeping up to those charged by bigger cousins'

The 27-bed Leonard opens in Seymour Street this month and three entrepreneurs who have successfully exploited the formula elsewhere in Britain – Ken McCulloch in Glasgow and Edinburgh, Jonathan Wix in Leeds, and Jeremy Mogford of Browns restaurant in Oxford – are also hoping to establish London properties.

For their regulars, the virtues of townhouses are clear. Jeff Max, director of US software company Systems Development, who spends half the year travelling on business and visits London once a month, is a regular user.

"Today," he says, "most hotels of all sizes have all the technological facilities you could need, but the large, impersonal nature of the big chains makes me feel uncomfortable.

The townhouses have many of the nice features of a big hotel but combine them with the personal touch of a bed-and-breakfast, and manage to be familiar without being over-familiar. They also tend to be much quieter, which is something that is hard to find in London."

His only complaint about townhouse facilities is their lack of air conditioning.

Another commendation comes from Cartier. Pilar Boxford the company's UK communications director, says she always books the president, Alain Perrin, into the Franklin in London.

"We find our executives are happier in townhouses because the service is much more personalised," she says. "There is no waiting at the desk or for the concierge, and all rooms have a direct-dialling telephone and access to a fax machine."

She adds: "The rate is also very reasonable compared with Claridge's or the Connaught, and services such as a massage or manicure are readily available."

At the Ritz, Giles Shepard is not so sure that business customers always get what they should at townhouses. "The average room rate of townhouse hotels is now creeping up to those charged by their bigger and grander cousins," he says. "They are playing on the Colefax and Fowler image and their intimacy to charge a high price but not deliver the service."

It is not only executives from groups such as Cartier and American entrepreneurs who patronise townhouses. Dukes' clients number senior executives from Goldman Sachs, Morgan Stanley and J.P. Morgan, as well many figures in the defence and aeronautical industries.

Andrew Phillips, general manager at Dukes, who moved into the townhouse sector five years ago, says that 80 per cent of his customers are business travellers. A report from KPMG, the consultants, on townhouse hotels estimates that business travellers on average make up between 50 per cent and 70 per cent of guests.

KPMG concludes that the future is rosy for the sector, in spite of responses from the grand hotels such as creating "club-class" floors that offer a personal butler service.

According to its report, more than 50 per cent of townhouse guests are repeat bookings, responding to the personalised service which is built on low staff and management turnover; recruitment of staff for charm and personality rather than technical skills; and the devolution of responsibility to all levels of staff.

Most townhouse employees are willing to give most tasks a go, and that applies to managers, too. David Naylor-Leyland, majority shareholder of the Franklin, the Egerton House and Dukes, all in London, takes a turn on the front desk at one of his properties every week.

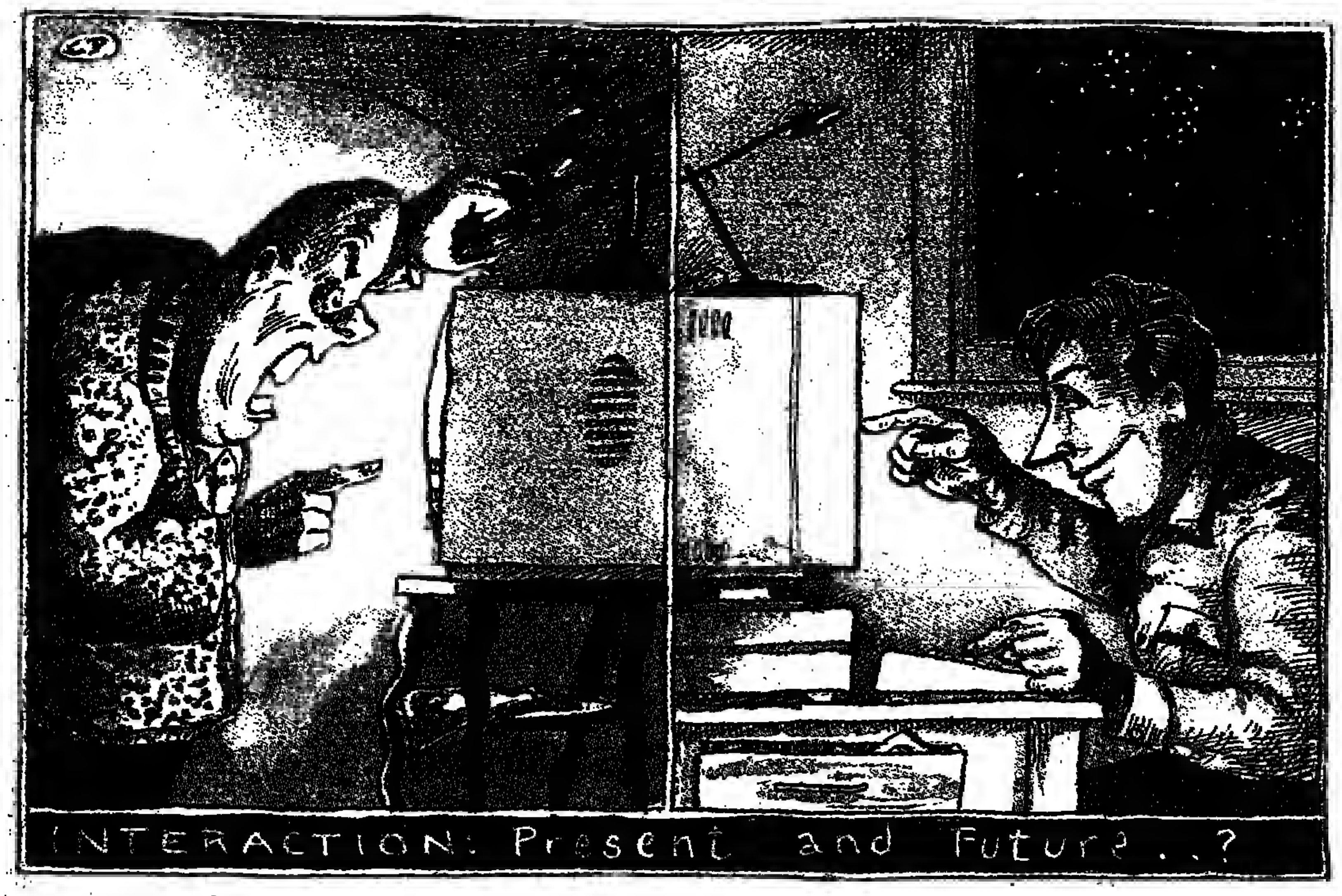
In spite of the best efforts of the townhouses to snipe at the palaces the truth is probably that each is good for the other, especially while London occupancy levels are running at more than 90 per cent.

As Shepard says: "I think we complement each other and offer a good range across the board, so that anyone visiting London can choose exactly what is best for them."

Suite dreams

Dukes Hotel	
Number of rooms	64
Price of double room	£188 per night
Price of suite	£247–£323 per night
Dining facilities	One private dining room
Business facilities	Fax lines and modem connections in each room, secretarial services on call
Number of staff	70

The Ritz	
Number of rooms	130
Price of double room	£235–£323 per night
Price of suite	£581–£1,050 per night
Dining facilities	Three private dining rooms plus Louis XVI restaurant
Business facilities	Same as Dukes
Number of staff	(including restaurant) 230



Ready to adjust your mindset?

Interactive technology will bring radical, but not sudden, change, writes **Alan Cane**

Which interactive media and applications will find acceptance in the home during the next 10 to 15 years and how will they affect the lives of residents?

Is the television movie in which the viewer can manipulate the ending to his or her owo preference the "killer" application capable of kick-starting the interactive revolution? Or will bome banking and bome shopping prove the bigger draw? Such questions, which hold the key to the prospects of the multimedia revolution, will be examined by a research team from the London Business School under Prof Patrick Barwise during the next three years.

Some indication of the level of interest in the group's conclusions is given by the list of sponsors: it includes the Markle Foundation of New York and a consortium of more than 40 companies including Barclays Bank, Rover Gronp and United Distillers. The research is expected to cost np to £300,000 in the first year.

A background study carried out for Prof Barwise's centre for marketing at the school, however, gives a hint of what most people expect of the interactive media revolution. If it is right, companies expecting quick returns from investment in multimedia sbould revise their business plans.

The study suggests the evolution of interactive media in the home is likely be slow – that is, over the next 10 to 15 years – but that it will have a dramatic impact on peoples' lives. Information and entertainment, especially video games, are seen as the principal drivers. Advertising and home shopping and banking will follow and, the study suggests, "may later become the main commercial use of interactive multimedia".

Prof Barwise was not swiftly persuaded of the importance of establishing the research project, dismayed by much of what he describes as the "rhubarb" written and talked about interactive mass media (IMM).

"There is too much data and not enough understanding," he said. "Our aim will be to make sense of interactive media so as to help companies decide their strategic response to the threats and opportunities."

Starting as it means to go on, therefore, the group has adopted its own definition of IMM: "Technologies which provide person-to-machine interactions that simulate an interpersonal communicatioo exchange", a definition wide enough to include both sending messages back to the supplier of an information or shopping service and manipulating a compact disc player.

A question the groop will study is the future of advertising on interactive media. It questions whether there will be a swing away from information and entertainment funded by advertising towards media paid for by subscription. "If logging on to the Internet or an online service becomes a daily ritual, rather like reading the morning newspaper, then there is more scope for a larger proportion of promotional spend transferring to there from television or print media."

What sort of advertising could IMM support? The study gives a fictitious example: "Watch this two-minute video on the new Ford Taurus and we'll pay for the pay-per-view movie of your choice."

Net extends the range of grey power

Tim Jackson

ARE old people frightened of computers? Conventional wisdom, brainwashed by the youth culture of Silicon Valley where people become high-tech millionaires at 25, has it that they are. The newly installed chief financial officer of one company here joked to me the other day that he was so old that his company had beeo forced to install a wheelchair ramp. He declined to give his age, but admitted under pressure to being in his mid-30s.

But there is an alternative view: people who are retired and live on fixed incomes are unlikely to gamble a couple of thousand dollars or pounds on a PC just for fun. Before buying a computer, the older person is more likely to want to see others using computers successfully. When that happens – when the PC has become a familiar mass-market item – older people will start to become computer literate.

That very plausible argument is put forward by Richard Adler, vice-president of SeniorNet, a non-profit organisation in San Francisco that is devoted to bringing the power of computing technology to what is tactfully termed the "older adult".

Adler argues that analysis of the marketing of a range of high-tech products, from the cordless phone to the answering machine, and the VCR to cable, shows the same pattern: the longer a product is around, the more closely its popularity among over-55s resembles its popularity with the rest of the population.

To back up this view, SeniorNet cites a survey, paid for by the microprocessor company Intel but conducted by an independent research company, which suggests that the market penetration of PCs among Americans over 55 rose from 21 per cent in June 1994 to 29 per cent in November 1995.

The moral of the story is clear: oldies are getting wired. That trend is provoking a reorientation at SeniorNet, which for the past 10 years has concentrated on spreading computer literacy among older people. Founded in 1986 in a church basement in the University of San Francisco, the group runs classes at 76 locations across the US.

Courses start from the most basic beginner's guide and progress to word-processing, spreadsheets, communications and beyond. They vary by location, but cost no more than $30 for eight 90-minute sessions – a fraction of the rate charged by most private companies. Space is provided mostly by community centres and old people's organisations. Equipment is lent or donated by sponsors, and teaching materials come from SeniorNet's head office.

To reduce the fear factor, students are taught by people of their own age, and the classes are intentionally non-competitive. Yet although there are no grades and no tests, SeniorNet boasts that students routinely stay to ask questions after the lesson, and come into the classroom at other times to use the computers on their own.

Since very few old people feel they need to work on their CVs, students have different reasons for signing up. Some are merely curious to learn about a technology that they have never seen; one woman, on entering the classroom, asked which machine was the computer. Others have a clearer idea of what they want to use a computer for – whether it is computerising a family tree, keeping the books of a small business, or arranging mailings for their local church.

No matter how widely computers are disseminated, there will always be a role for a provider of low-cost training to the disenfranchised. Bnt the arrival of PCs as consumer goods is allowing SeniorNet to return to an objective that it was forced to abandon in 1986 because computer literacy among retired people was so low. That objective is to use cyberspace – the Net or private online services – to enrich old people's lives. Thanks to a deal struck with America Online, one-quarter of SeniorNet's 18,000 members are signed up to a special oldies' online service.

The discussion forums and "live chat" rooms that the service provides are carefully targeted to the audience. The topics under discussion in the seveo groups of 50 "folders" range from using Windows 95 to dealing with breast cancer.

When I checked out the live chat last Wednesday – at 11.30pm California time, or 2.30am New York time – 17 vivacious SeniorNetters were exchanging electronic natter.

Notable amoog them was a lady of 75 from Kentucky who went under the cyberspace *nom de plume* of Wildcat, presumably out of loyalty to her local basketball team. "On the Internet," said one SeniorNet staffer, "no-one knows whether you are 75 or 85."

SeniorNet's online presence and its Internet Web site have other features. But these resources alone raise an interesting point. Critics of the Internet have pointed out – rightly, in my view – that virtual reality runs a poor second to reality: that chatting across a dinner-table is more friendly than chatting across the ether; looking at paintings in a gallery beats downloading bitmapped versions to a screen; carrying a telescope uphill to see the stars is more fun than surfing astronomy Web pages. But many old people do not have access to these things. They are housebound, either because of their own frailty or because they must care for spouses. Their social lives are often limited by geography or money.

For them, as for younger people with similar disadvantages, the second-best solution of cyberspace is a great deal better than nothing. SeniorNet may seem cranky today; but a decade from now, granny power will be a powerful force in cyberspace.

Tim.Jackson@pobox.com

A teleshopping-free zone

The future of home order TV in Germany hangs in the balance, says **Judy Dempsey**

If Germany's Home Order Television (HOT) had its way, it would today be broadcasting around the clock oo satellite and cable, persuading its audieoce to buy goods ranging from cars and clothes to holidays and shoes. But it cannot.

Teleshopping in Germany is severely restricted by law. Set up last autumn, HOT, which is jointly owned by Pro-7, the fast growing independent commercial television network, and Quelle, Germany's largest *mail-ordering* group, intended to change the Rundfunkstaatsvertrag, or broadcasting law. They also wanted to change audience-viewing habits, encouraging them to spend more time watching television and using the medium as a consumer tool.

The law states that home teleshopping must be limited to one hour a day. That applies to the state-run ARD corporation which is the public service broadcasting network for television and radio, ZDF, the second state television channel, and all the private television and radio stations.

The reasoniug behind the law had two strands or elements. "First, television is a public service and that is its priority. Second, although it is oow being debated, teleshopping is still considered by some of the television regulators as opinion forming and should be limited," a Landesmedieoanstalten lawyer explained.

The 15-member Landesmedienanstalten essentially regulates television. Its main function is to ensure that a wide variety of quality programmes reaches German homes. To do this, the Landesmedienanstalten can issue broadcasting licences. It can also issue network access licences, and it is the watchdog for the implementation of the Rundfunkstaatsvertrag.

But as the case of HOT shows, the regulators have found themselves in a quandary about how to define home teleshopping in snch a way that the role of public service broadcaating would not be undermined.

HOT first received permission from the Bavarian television authorities – a member of the Landesmedienanstalten – to set up a pilot project to broadcast several hours of teleshopping on two channels in the Munich and Nuremberg regions.

"We were very excited about the challenge," said Alexander Fink, a spokesman for Pro-7. "We were convinced that teleshopping was not broadcasting in the strict sense. It is about distributing products. And since *teleshopping is product* information as opposed to opinion forming, we argued there should be a channal for such goods."

Germany's giant mail-ordering houses, including Otto Versand and Quelle, can see the advantages. It would reduce overheads for catalogues and tbey reckon teleshopping business would increase retail sales by more tban DM500m ($349.2m) within five years.

At the moment, retailers can sell their products only through non-German-based teleshopping channels. If they chose, they could sell their products on the Internet.

"Of course you are oot breaking German law if you buy products on the Internet or through the various home shopping services which are offered by banks and other institntions," a media legal expert said.

"What distinguishes bome teleshopping which is broadcast on the public television and radio channels from the Internet and banking services is that the former is public and general, and the latter concern only the individual," she explained. That accounts for the divisions of opinion among the state regulators about HOT.

No sooner had the pilot project been set up last October than HOT sought permission from the Landesmedienanstalten to broadcast via satellite, cable, on digital or analogue and across Germany. Then the trouble started. At a meeting in November, HOT failed to win the support of the state regulators. The regulators did not even support Bavaria's initial permission to grant the pilot project to HOT.

"The problem is that the legal framework about home teleshopping is not clear," said Thomas Kreyes, of RTL, Germany's leading commercial television network. RTL has already campaigned in the courts to stop HOT from broadcasting, fearing an advertising challenge.

After recent hearings between the Bavarian administrative court – courts which deal with public administration including the granting of licences – and Bavaria's constitutiooal court, the future of HOT remains uncertain.

The Landesmedienanstalten are reluctant to grant HOT a licence to broadcast, or ban it completely, because the law is unclear.

The courts are waiting for the regulators, still locked in discussions, to draw up a new Rundfunkstaatsvertrag which will set out new limits for *home teleshopping*. And the regulators themsalves are waiting for the European Unioo to set out broadcasting guidelines as well.

"I think it is a matter of time before teleshopping will ba allowed in Germany," said Fink. Then the task will be to persuade the television-shy German to spend more money looking at television, and to start shopping from home.

Cyber sightings

by Stephen McGookin

● Sotheby's auctioneers (*www.sothebys.com*) is a nice site with lots of good information including details of high-profile featured sales, such as the estate of the late Jacqueline Kennedy Onassis.

It also has notes for the beginning investor and a worldwide auction calendar.

● If you have not yet encountered the "Market Mavens", their investment analysis is available tbrough Plnsoo & Associates' Financial Center site (*www.tfc.com*), a useful and interesting review of activity on Wall Street.

It is also easy to use, with regularly updated quotes and charts.

● Stan & Dan: The Stock Guys! provide a daily fax service for short to intermediate term stock traders. At their basic web site (*www.dirs.com/invest/dfax*) US residents can sign up for a free one-week trial.

● Volunteers for Peace is a Vermont-based organisation, related to Unesco, that organises volunteer work camps in 60 countries worldwide. For details of programmes, check their site at *www.vermontel.com/~vfp/home.htm*

● To Fly is Everything... (*http://hawaii.cogsci.uiuc.edu/invent/airplanes.html*) is a fascinating virtual mnaeum describing the invention and use of flying machines. It also offers good narrative and more than 300 still photographs from the Library of Congress collection.

● CyberJoe's Internet Café (*www.cyberjoe.co.za*) in Port Elizabeth, South Africa, is a nice site (although the graphics are a tad garish) with some interesting links to other spots in South Africa, including a useful indexed search facility through Marqnes Syatems. Definitely an area that is worth watching.

● Deutsches Spendeninstitut Krefeld (*www.dsk.de*) is the site of the German Charities Institute – a tremendously comprebensive site covering every aspect of volunteer work and philanthropic organisations in Germany.

There is a dnal-language intro, but it is in German when you're searching.

● Quotesmith Corporation (*www.termquotes.com*) gives details of the rates of 160 US life assurance companies. It offers a personalised price comparison service, for US residents only, but it is worth a browse if you're in the insurance sector.

● Crummer Graduate School (*www.crummer.rollins.edu*) is the business school of Florida-based Rollins College. A nice, useful site, with details of the curriculum, technology services and lnformation about the local community for prospective MBA students.

● High Technology Careers magazine (*www.hightechcareers.com*) allows users to search a database of 9,000 career opportunlties by keyword, post your CV to employers online, or eveo create your own CV homepage for employers to browse – or indeed, to ignore – at their leisure.

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ARCHITECTURE / SPORT

Russia's palaces plead for care and attention

Dostoyevsky's "most fantastic city": the Griboedova canal and the Church of the Resurrection in St Petersburg

At the end of February a remarkable event will take place in St. Petersburg. The old bones of the last Tsar of Russia and of his family who were slaughtered with him on July 17 1918, in Ekaterinburg, will be entombed with their Romanov ancestors in the cathedral of the Fortress of Saint Peter and Saint Paul. This strange act of reparation will be a difficult one to choreograph in spite of taking place in a city designed for imperial ceremony.

St. Petersburg is one of the very finest architectural landscapes in the world. In every way it parallels the earlier splendours of Venice, and yet it has a character and a romance entirely its own. As an important part of our shared architectural culture, the city needs a vast amount of international support. Twenty-five years ago a brilliant small organisation was set up by English lovers of Venice called Venice in Peril which has funded and carried out the effective restoration of many important buildings in the city. It is time for a similar initiative for St Petersburg.

In the euphoric days immediately following the collapse of Soviet communism there were mad and worrying schemes for the modernisation of the city. The plans for the giant Peter the Great tower seem to have slowed down and will probably be dropped. If it were to go ahead, it would represent such an extreme act of cultural vandalism that the city would be signing its own death warrant. The rare thing about cities like St Petersburg, Venice, New Delhi, and Washington is that they were built as political demonstrations of imperial or "democratic" power – they have intense meaning which is expressed in their plans and their architecture. Although they have to thrive commercially, the reason for their existence is beyond commerce and aspires beyond materialism.

How can the palaces of Saint Petersburg be restored and repaired in a city where the only Tsar is a pile of bones; the only garrison is a force of police; the only aristocrats are the international tourists graded by the depth of their purses? Although the obvious places, such as the Winter Palace and the Hermitage, look presentable, a great deal of work is needed to deal with an increasing flow of visitors. Facilities in museums both for the conservation of art and the services for visitors are improving all over the world. Russian standards will inevitably have to change.

The danger is that the intangible quality of these collections in palaces will be disturbed by modernisation. As a visitor in the Winter Palace, you are remarkably free – it is still possible to be the only person standing at the central window of the south facade of the palace looking at Alexander I's column imagining both the glories of Napoleon's retreat from Russia and the horrors of Bloody Sunday. All around you are the masterpieces of Antonio Rinaldi, Bartolommeo Rastrelli, Carlo Rossi, Giacomo Quarenghi, and that German genius Andrei Stakenschneider. There is a sense of a place designed to be not so much "a window on the west" as a civilised world of its own.

The arrival in London last year of the great Wedgwood service commissioned by Catherine the Great prompted thoughts of the little palace for which it was commissioned. On the elaborate travels of the Tsarist court between the Winter Palace and Tsarkoye Selo resting places were needed. It was in the suburbs of St. Petersburg on the marshes that Catherine ordered the building of the Chesme Palace. Here courtiers dined from the Wedgwood "Frog" service, contemplating the sepia views on their plates of picturesque British houses and landscapes. The palace and neo-gothic chapel at Chesme today are surrounded by ugly flats.

Similarly, the beauty of the Kamenostrovsky palace on its own island in the Neva to the north of the city is compromised by its use as a sanatorium. The riverside park and English-style late eighteenth century gardens all survive and with a little help could be quite magical.

But the two palaces that need help, and quickly, are the Alexander Palace at Tsarkoye Selo and the Constantine Palace at Strelna on the road to Peterhof, with its park running into the Baltic.

The naval presence at the Alexander Palace cannot last much longer and the restoration of the last home of the Romanov family can perhaps begin. It was from here that the last Tsar and his family were taken to their deaths. Their possessions apparently survive to a large extent, having been carefully put away. Apart from the historical importance of the palace it is a neglected and hidden architectural masterpiece by Giacomo Quarenghi.

The palace at Strelna has a future, probably as a great hotel. It should become a civilised enclave away from the city, which could be reached by water. It was built in 1711 for Peter the Great by the French architect Alexandre Le Blond, and has a magnificent ballroom and glorious stables. Today it is the saddest of palaces – romantic but decaying fast.

These are the important buildings that need help and protection. Every palace has its fine outbuildings and temples and follies in the parks. While UK citizens worry about the future of the perfectly secure Greenwich Royal Naval College, the great European glories of Saint Petersburg are just as much our responsibility. The romance of Russia is strong and can inspire international support and help. It is not too much to hope that a realistic rescue be initiated for what Dostoyevsky called the "most fantastic" city.

Colin Amery

Up at the oche in a quest for status

"I wouldn't call us athletes exactly," mused Richie Burnett. "Maybe leisurely sportsmen. It's just getting paid to show off really." Half the Rhondda Valley, a gritty former coal-mining area of South Wales, seemed to be at the Lakeside Country Club, in the heart of Surrey commuter-land, watching Burnett throwing his heart out in an attempt to remain World Darts Champion.

The Lakeside's vast ballroom was packed with 1,300 partisan and highly vocal supporters. Anyone visiting the Kingsland Tavern in Southampton that night would have been in for a dull evening. The pub landlord, bar staff and most of the customers had deserted their local to cheer on Les "Danger" Wallace, star of the pub darts team in his bid for glory at the oche.

Wallace, a 33-year-old plasterer taking a break from the building trade while he attempts to turn full-time darts professional, entered wearing a kilt and carrying the cross of St Andrews. His fans were hoarse with excitement as he stepped up to throw the first leg against Ian Brand, a relative unknown.

Backstage, Burnett was watching on a TV monitor, having already qualified for his own quarter-final. "I think the game makes great TV. Watching two fellers sweat to death wanting a double-top," says Burnett. "Most people have played darts. Know how hard it can be. How many of us have ever sat in a Formula One car? You don't know what it's like to drive one. Neither do I."

Since he won the Embassy World championship a year ago, life has changed beyond belief for Burnett. The prize-money alone was £36,000. He drives a top of the range sponsored car. In the pubs and clubs of South Wales he has the kind of celebrity that once upon a time only pulling on a red rugby jersey at Cardiff Arms Park could bring.

"You can make a reasonable living out of it now," Burnett says. "I don't play many competitions. Most of the work is playing three or four exhibition matches a week."

SPORT

KEITH WHEATLEY

Breweries are the usual promoters of these events, as darts in Britain is a pub game. Robert Holmes of the British Darts Organisation claims 8m people play regularly. He has no doubt of darts' true status. "It's a sport. No question. It's a very physical game," states Holmes. "The physical control of muscles and the stillness and control at the oche is very, very demanding."

The Sports Council, Britain's official bureaucracy in the absence of a Sports Ministry, is equally sure of its position. "Darts is an unrecognised activity as far as we are concerned," sniffed a spokesman, after consulting the appropriate manual. Snooker, curiously, does qualify as a sport as far as Whitehall is concerned.

Richie Burnett works out by sparring with boxers at the local gym. He looks trim and in good shape, and could have been a contender in the long tradition of Welsh welter-weights. "There may be a few boozers and smokers left but most players want to stay fit," he says, adding that he did not have a drink in the two weeks leading up to the championships.

Beer, or more specifically lager, is where darts traditionally loses credibility in its claim to be a mainstream sport. Very few athletes in other disciplines prepare for their event with the quantities of alcohol that are part and parcel of life on the 501-circuit.

"Tonight I was careful to have no more than four pints before playing. Just enough to settle me down," explained "Danger" Wallace after his 3 sets to 1 victory over Brand. "When I go out with the Kingsland team on a Monday night I like to have a real drink."

It is tempting to think this might be a leg-pull. Qualifying for the quarter-final netted Wallace nearly £5,000. Can you really play for serious money having drunk enough to doubly-disqualify a car driver from taking to the road? Obviously yes.

In the players' ante-room, with three practice boards, the bar is doing a roaring trade.

At the sharp end, under the lights and TV cameras, things are a little different. Discreet glasses of mineral water and orange juice are the thing for the BBC, which is broadcasting the championship.

Last year 10m people watched the Sunday night final between Burnett and Dutch player Raymond Barneveld. Another 1m viewers were in the Netherlands where darts, unknown a decade ago, is enjoying huge popularity. A sizeable Dutch contingent had come to Surrey this year to cheer on both Barneveld and Roland Scholten. "We play every week in Nijmegen. It feels a little adventurous because you have to go to the pub to play," explains Henk Kersies, a teacher.

In his party are several other teachers, a law student and a computer engineer. In mainland Europe, darts lacks the blue-collar heritage that in its 1970s UK heyday made proletarian celebrities out of players like Eric Bristow, "the Crafty Cockney", and Jocky Wilson, a Scots ace with a huge beer belly and few teeth. When a Norwegian darts team visited recently they were appalled to be asked to play in pubs rather than the pristine sports centres they use back home.

Darts has always been a little bit out on the edge. Early this century British pubs were regularly prosecuted for allowing it to be played. It was not until 1908 that a Leeds publican appeared in court and convinced the justices that it was a "game of skill rather than chance" and thus legitimate on licensed premises. One has to agree. Even the most casual player knows how the board shrinks and the darts wobble when only one of those tiny segments will clinch victory.

"It's a simple game but it's taken me half a lifetime to be able to stand up there and hit a double when I need it," explained "Danger" Wallace, glass in hand.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Anglian Water 12% Bd 2014 £1200.0
Asahi Breweries 7% Bd 1999 Y700000.0
BET 1.4p
Bridgend 0.1p
Chemical Banking Snr FRN 2000 $158.95
Chichibu Onoda Cement 7% Bd 1999 Y700000.0
Commonwealth Bank of Australia 12¾% Nts 1998 A$127.50
DKB Fxd/FRN Jul 2004 $16593.75
Dixons (Cap) 6¾% Cv Gtd Bd 2002 £337.50
European Colour 0.775p
Do 6½% Cm Pf 6.3p
Get Grp 3.3p
Guinness Fin 9% Gtd Nts 1996 $90.0
I & S UK Smaller Co's Tst 1p
Inter-American Dev Bank 12½% Ln 2003 £6.25
Irish permanent FRN 1998 £182.67
Kobe Steel 6.9% Bd 1998 Y690000.0
Do 6.9% Bd 2000 Y690000.0
Kubota 6.9% Bd 2000 Y690000.0
MMT Computing 4.4p
Mitsui Fxd Rate Nts 1999 Y400000.0
Do Fltg Rate Nts 1999 Y206667.0
Morgan Crucible 6.25p
NKK 7% Nts 1997 Y700000.0
NFC 1.6p
Parkland 2.2p
Rolls-Royce 2p
Sapporo Breweries 5.9% Bd 2003 Y590000.0
Do 7⅛ Nts 1997 Y700000.0
Takashimaya 5.6% Bd 2001 Y560000.0
Do FRN Jan 1998 Y18800.0
TR Property Inv Tst 0.42p
Uny 3.8% Nts 1998 Y380000.0
Warner Howard 3.15p

■ TOMORROW
CPL Aromas 1.6p
Crown Eyeglass 4p
Eksportfinans 10% Nts 1996 $500.0
Henderson Admin 13.5p
Hobson 0.4p
Japan Airlines 6.9% Bd 2001 Y690000.0
Do 6.9% Bd 2002 Y690000.0
Kobe Steel 6.9% Bd 2001 Y690000.0
Do FRN 1996 Y17090.0
Leo 1 Class B Mtg Bckd FRN 2035 £2276.04
Leo 2 Class B Mtg Bckd FRN 2032 £217.80
National Power 5.4p
Powell Duffryn 8p
Vibroplant 1.4p
VTech (London) $0.025
Do (Bermuda) $0.025

■ WEDNESDAY
JANUARY 10
Anglo American Coal R3.0
Apollo Metals Cv Rd Pf 4p
Collateralised Mtg Sec (No 11) Class B FRN 2028 £213.74
Dawson Int 1.5p
Gleeson (MJ) 11.45p
Guinness Fin 12% Gtd Nts 1996 £120.0
Guinness 2½% Cv Nts 1997 IR£1250.0
Lothbury Fdg No 1 Class A1 FRN 2031 £1134.0
MBL Fin (Curacao) 8⅞% Gtd Bd 2001 $887500.0
Mitsui Fxd/FRN 1996 Y8294.0
Morris (Philip) $1.0
Northern Elec 63.5p
Policy Portfolio 2p
Property Partnerships 2.8p
Scottish Value Tst 1p
UK Estates 0.15p

■ THURSDAY
JANUARY 11
Barclays Und Prim FRN $305.12
Body Shop 1.08p
Clyde Blowers 4p
Diploma 10p
Edinburgh Inc Tst 1p
European Motor 2.2p
Export-Import Bank of Japan 8½% Gtd Bd 1996 $425.0
Granada 11¼% Bd 2019 £1125.0
Hadleigh 1.75p
Heath (CE) 3p
Highland Distilleries 6p
Kwik Save 14.05p
Molyneux Estates 2.25p
Nihon Doro Kodan 9⅝% Gtd Bd 1996 $481.25
Oceana Cons 0.75p
Peoples Construction Bank of China FRN 1998 $319.44
Do FRN 2000 $324.56
South Wales Elec 100p
Tams (J) 1.6p
Warburg (SG) FRN 2006 $303.47

■ FRIDAY
JANUARY 12
Anglo American Corp of South Africa R1.30
Argentaria Cap Fdg Class B 9% N/VTG DM Euro Pf DM0.90
Bath Press 0.14p
Conversion 9% Ln 2011 £4.50
Conversion 9½% Ln 2001 £4.75
British Inv Tst 2.2p
Caffyns 5p
Caisse Francaise de Dev 12¼% Gtd Ln 2013 £306.25
Castings 1.22p
Chrysler $0.60
City Merchants High Yield Tst 2.25p
Cropper (James) 1.1p
Dart 1.9p
EMAP 3.7p
F & C PEP Inv Tst 2.35p
Forward Grp 3.2p
Invesco English & Int Tst 0.4p
Jarvis Porter 2.15p
Jos 3.33p
Mercury European Privatisation Tst 0.6p
ML Hldgs 0.35p
Morgan (JP) $0.81
Nissho Iwai 3.9% Bd 1998 Y390000.0
Pillar Property Invs 1.5p
Polar 4p
RPC 1.2p
River Plate & Gen Inv Tst 7.04p
Shanks & McEwan 1.2p
Sime Darby M$0.165
600 Grp 0.75p
Spandex 1p
Standard Chartered Und Prim Cap FRN $297.08
Do (Ser 4) $301.56
Tiger Oats R0.695
Trace Computers 1p

■ SUNDAY
JANUARY 14
Funding 3½% 1999/2004 £1.75
Treasury 13% 2000 £6.50

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Barr (AG)
Inspirations
Treatt
Interims:
Calluna
Ellis & Everard
Westport
Williamson Tea

■ TOMORROW
COMPANY MEETING:
Carr's Milling Inds, Crown Hotel, Wetheral, Carlisle, 11.30
BOARD MEETINGS:
Final:
French
Interims:
Bespak
Tomorrows Leisure
Universal Salvage
VHE Hldgs

■ WEDNESDAY
JANUARY 10
COMPANY MEETINGS:
Fenner, 23, Great Winchester Street, E.C., 9.30
Gleeson (MJ), Haredon House, London Road, North Cheam, Surrey, 12.00
Shaftesbury, Pegasus House, 37-43, Sackville Street, W., 12.00
UPF, Goldthorn Hotel, Penn Road, Wolverhampton, 11.30
Wigmore Property Inv Tst, 155, Bishopsgate, E.C., 3.00
BOARD MEETINGS:
Finals:
Jersey Elec
M & W
Interims:
Banks (Sidney C)
Dixons
Ewart
Fleming Int High Inc
Ryland
Savills

■ THURSDAY
JANUARY 11
COMPANY MEETING:
Foreign & Colonial PEP Inv Tst, Exchange House, Primrose Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Denmans Elec
Lonrho
Lowe (Robert H)
RCO
Interims:
Carpetright
Cassidy Bros
Coral Products
GGT
Jones Stroud
Jurys Hotel
Matthew Clark
PSIT

■ FRIDAY
JANUARY 12
COMPANY MEETING:
Perpetual, Phyllis Court, Henly-on-Thames, Oxon, 12.00

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

OPENINGS

ARTS

SYRACUSE

BOLOGNA

ROME

LONDON

BARBADOS

The master builder

Andrew Clark talks to John Conklin, America's leading opera designer

Imagine a roomy apartment on New York's Upper West side. At one end you have a panoramic view of the Hudson River. At the other, the prospect is even more absorbing. Strewn around the breakfast table are stage models, design artefacts and sketches. John Conklin's home is inseparable from his workspace.

Conklin, 58, is the leading opera designer in the US. This month he has two shows opening on either side of the Atlantic – both adaptations of recent successes at Glimmerglass, the thriving festival in upstate New York where he has just been appointed director of productions. *L'incoronazione di Poppea* has five performances at Brooklyn Academy of Music starting next Saturday. *Don Giovanni* begins a three-month run at Stockholm's Folkoperan on January 23.

The lead-time for opera is such that Conklin's mind is already on other tasks. His immediate preoccupation is *Götterdämmerung*, opening at Chicago's Lyric Opera on March 9. Then he must get to grips with Cavalli's *Calisto* and Jack Beeson's *Lizzie Borden* for Glimmerglass in the summer. He is also designing a musical for San Diego: a stage model for a backers' audition sits on his bookcase. Conklin works fast and thinks nothing of juggling several projects at once.

Most US companies have a Conklin production in their repertory. His collage-like, post-modern style has proved less popular in Europe: he has designed only one production in the UK – ENO's *Tosca* last season, for which his Roman abstractions made a striking backdrop. Conklin's work may not match the visionary quality of some leading designers, but he is hard to beat for solid professionalism.

He is also extremely prolific. Some critics have accused of him cranking out too much, because of what they see as a "family resemblance" in his designs. Conklin pleads guilty. Hauling out a drawer of cast-offs from old stage models, he spreads them over the table and starts to identify each one: a piece of panelling for the Met's *I Lombardi*, an arch for Chicago's *Tancredi*, a columned façade for a *Faust* that never got done.

"The way I work *is* controversial," he confides. "I have a repertory company of model pieces which I tend to recycle. A lot of people think that's cheating – it seems a bit derivative, like I'm canoibalising myself. They could be right, but I'm not sure everyone doesn't work that way."

Conklin says that even when a set is finished, he likes to play with each element to see what it can do. "I'm a great fan of the accident – the back of the piece instead of the front, the wrong piece of scenery flourishing where you never expected. It's a bit like a jigsaw. You use them, interchange them, eliminate them. I hate scenery that can only be used a certain way."

Conklin has had a gilded career. He studied art history at Yale and made his first stage designs at drama school. In the early 1960s he spent two summers at Bayreuth, where he was mesmerised by Wieland Wagner's "seemingly abstract productions – but they weren't emotionally abstract". Returning to New York, he took what he calls the "classical American route" of assisting on Broadway in winter and designing for spoken theatre in summer. "That was my training – ten years of summerstock theatre at Williamstown, Massachusetts. We did Shakespeare and Chekhov, all very intense. Opera came later. I now try to do both equally."

In that respect he is unusual, because opera and theatre in the US do not cross-fertilise the way they do in Europe. Conklin says the word "operatic" is viewed with disfavour in American theatre circles. "It means a kind of stupid excess, but also a freedom and scale of emotion that the US theatre lacks. A lot of it is economic. Regional companies can't afford plays with big casts, so people write for three characters and a single set. That's one reason why *Angels in America* was such a huge relief – it had bigness of scale, wildness of expression."

When he enters an opera house, Conklin speaks as a man of the theatre. He is notorious for his absence on first nights, arguing that current operatic practice allows no development when a production reaches the stage. "It's painful – you're not learning anything you can do something about. Instead of it being a form of interchange between audience and stage, the audience feel they're being shown this thing, and they either understand it or they don't. In theatre, the creative team stands behind the audience, feeling it through their eyes. You have a chance to correct your mistakes. Opera should wise up on the preview system."

He is curiously ambivalent about many of the works he has designed. He regards *La bohème* as "the greatest opera ever written, but I can't help mistrusting Puccini – so compelling on the one hand and so trashy on the other". He has twice designed *The Ring*, for San Francisco in the mid-1980s and now in Chicago, but dismisses it as "one of Wagner's less interesting pieces". Hindemith, whose *Mathis der Maler* he designed for New York City Opera last autumn, "had the dramatic instinct of a flea", and most modern operas are "too intellectually worked-out – they're not written by theatre animals". His heroes are Bernini and Handel, "the perfect combination of feeling and theatre".

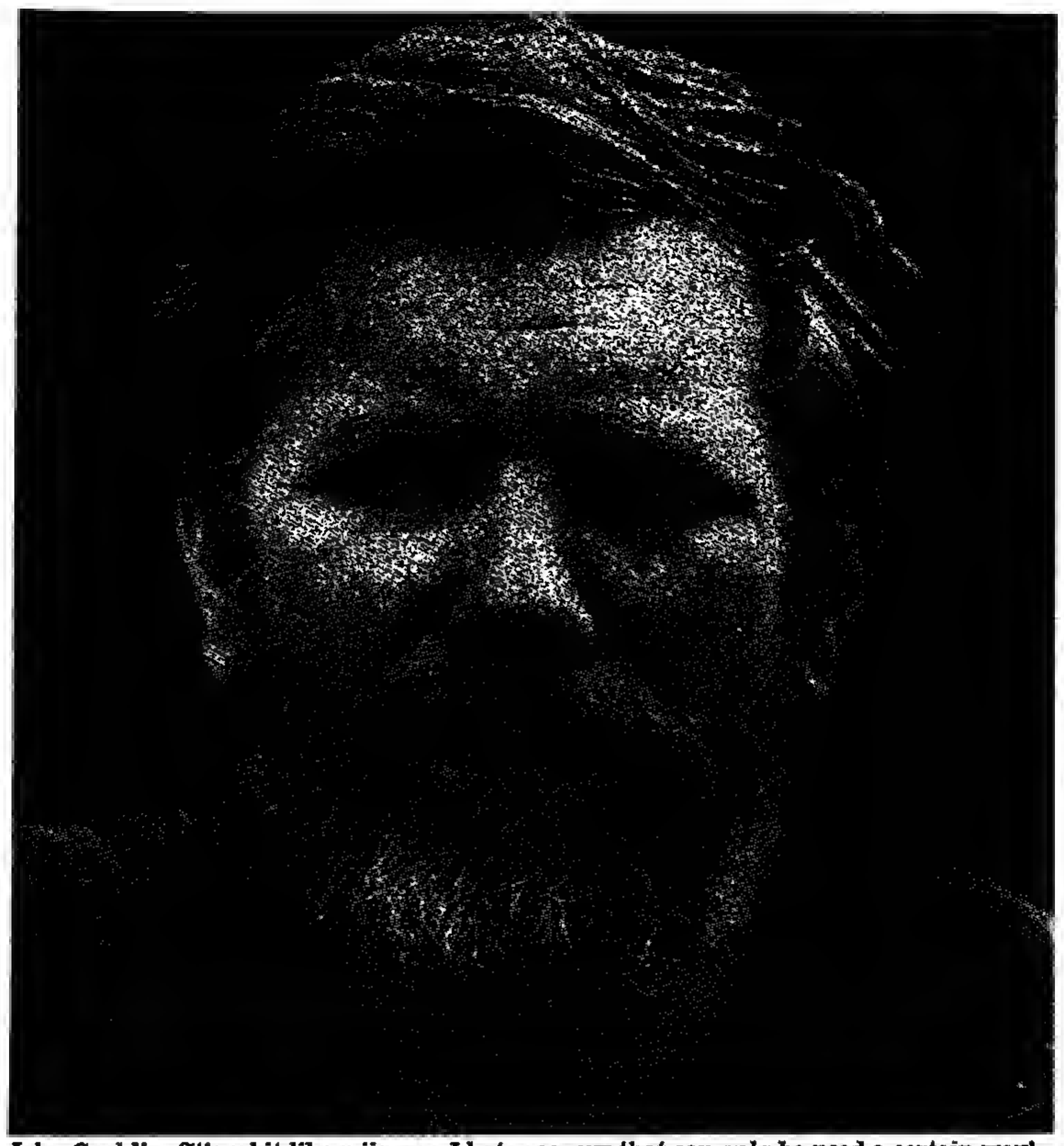
Conklin has reached the stage where he can afford to be choosy. He prefers directors who allow him a "dramaturgical partnership": Mark Lamos, Rhoda Levine, Jonathan Miller and Francesca Zambello top his list. "I like working with people who don't come with fixed ideas of what they want, who use the design process as a way of working out ideas. That gives me a chance to share in the total event, instead of giving visual form to ideas the director has already formulated. Theatre is an organic process, it must be allowed to go off in directions that are not planned. There's nothing more boring than sitting down, planning an idea and executing it."

Although he has no desire to direct opera, his new role at Glimmerglass gives him a major voice in planning and production. He sees a future in operatic adaptations on the lines of Peter Brook's *Tragédie de Carmen*, because "it's a more honest way of dealing with a director's concept. We all want to counteract the feeling of 'museum opera', but if directors are unable to shape the whole of *Lucia* coherently, they should say 'this is our meditation on *Lucia*'. That would be better than doing something incomprehensible and telling the audience they're stupid. The audience is sometimes right to say it's wilful nonsense."

On the other hand, Conklin does not believe in giving the audience explanations. He was intrigued by the different interpretations given to the Glimmerglass *Don Giovanni*, in which Mozart's libertine spent most of the performance in a wheelchair. "Someone said it was like he had syphilis, which strikes me as perfectly valid. But if I'd said what my intention was – which people always want you to do – that imagery would have been blocked. The death of art is when people are made to feel that someone else – a critic or an expert – has to interpret it for them."

He says audiences need to be challenged and mystified in ways that lead into themselves. "I would encourage them to perceive a stage picture as something they're free to wander in like a wonderful dream, with their own thoughts, feelings and reactions. You don't need to be educated in Caspar David Friedrich or Edward Hopper to do that. If you *are* familiar with Friedrich and Hopper, of course you're going to wander in a different way."

Conklin's experiences in the intimate setting of Glimmerglass have made him disenchanted with big US opera houses. He says the Met has the best technical back-up of any theatre in the world, "but I'd rather have $1,000 and work on *Ulisse* with a wonderful director. When you start your career, you need money to show what you can do, but you never have it. When you're established, you have the money but don't need it. Building a set for an audience of 4,000 may be interesting and powerful, but it's not quite the essence. All you need is a small space, a few singers or actors, and a little help from a director and designer. The rest is a cover-up."



John Conklin: 'It's a bit like a jigsaw. I hate scenery that can only be used a certain way'

Obituary

Lincoln Kirstein

Lincoln Kirstein, joint founder of New York City Ballet; poet, patron of the arts, polemicist, collector, critic, philanthropist, died in New York last Friday at the age of 87.

He had many claims to fame, as he had many interests in the arts to which he gave passionate and practical service. But it was his collaboration with George Balanchine in establishing classical ballet as an American art that must take a pre-eminent place in considering his achievements, and this must be seen as the crown of his life's work.

Kirstein was a man of Protean gifts and immense intellectual and organisational energy. He was one of those rare talents who touch the entire artistic life of their time. Ballet, film, literature, theatre, music, painting and sculpture all occupied his attentions. A *First Bibliography*, published to celebrate his 70th year, cited material under all those headings, and added to that tally writings on architecture, photography, history, politics, as well as fiction and poetry, and – in an attempt to catch the quicksilver of 473 entries – "other subjects".

These many and seemingly disparate concerns were united by a guiding intelligence which was both uncompromising and uncompromisingly generous, and served as the artistic conscience of an era. This was the essentially American quality of his work: that desire to ameliorate and inspire a society to the goal of a more humane and imaginatively rich world. Kirstein was a man whose greatness was matched by his generosity, and by the grand extent of his work as intermediary between the arts and a vast public who benefited from his genius.

Lincoln Kirstein was born on May 4 1907, the second of three children of Louis Edward and Rose Kirstein. (His sister was the distinguished writer, Mina Curtis). At Harvard Kirstein started the influential magazine *Hound and Horn*, in whose pages such writers as T.S. Eliot, Ezra Pound, James Agee, Edmund Wilson and e e cummings were published.

In 1928, with two Harvard classmates, Kirstein founded a Society for Contemporary Art, which was a precursor of New York's Museum of Modern Art. And in the summer of 1929, while in Venice, Kirstein was to witness Diaghilev's funeral procession. This must be seen as a portent for the future.

Kirstein was drawn to ballet, and in 1932-3 he met and worked with Mikhail Fokine, and then became involved with Nijinsky's wife, Romola, in the preparation and writing of her biography of her husband. (Matters were not made easier by *Mrs Nijinsky's belief that a medium* could illuminate the darker passages of her still-living husband's life. The discoveries made by Little Bluebell, a spirit guide, were not, Kirstein noted, of greatest import).

In London during the summer of 1933, Kirstein met George Balanchine, as the latter surveyed the imminent collapse of his troupe, Les Ballets 1933. Kirstein saw the possibility of realising an ideal he already held: the establishing of classical ballet in America. By the end of that year, Balanchine was in New York, a school was opened, and the first steps were made in the creation of the School of American Ballet and of a performing ensemble which is today New York City Ballet. Kirstein, through Balanchine, saw how to make classic dancing that was truly American, truly classic, and truly of its time.

To this ideal he devoted his energies, his knowledge, his prodigious intellectual abilities, his private fortune. In the making of school and company we may perceive the essential selflessness that was central to Kirstein's nature. For all the many other enterprises which he inspired and guided; for all his work promoting artists and sculptors (Tchelichev; Elie Nadelman); for all his writings (and his memoirs, his histories and polemics about dance, are vivid reading) Kirstein devoted himself first and foremost to the support of Balanchine's work. The result was, from 1948, the New York City Ballet, the instrument by which the greatest choreographer of the century made classic ballet an American art. Without Kirstein this would not have happened.

The Kirstein whom I knew and revered over the years, and laughed with (he had a wicked sense of humour) was a figure of massive scale, the grandly modelled head brooding over the powerful body, invariably dressed in black suit, white shirt, black tie. He was immensely kind, curious about everything, loyal, a wonderful correspondent, full always of schemes and plans to help and promote the arts. His house, crowded with works of art, was an acute reflection of the diversity and impeccable taste of his artistic choices. In his later years he derived profound joy from his reception into the Catholic church, and devoted his time increasingly to writing. *Mosaic*, published in 1994, is a fascinating first volume of memoirs. He was married to Fidelma Cadmus, sister of the painter Paul Cadmus, who pre-deceased him.

Writing about Igor Stravinsky, Kirstein observed: "Stravinsky has always resisted canonisation . . . His mind is too active, restless, sharp, to make comfort for a solid cult. An acetylene torch is bright and cuts steel, but it does not glow like a domestic hearth." They were true of Stravinsky, and no less true of Kirstein. His memorial is not just the New York City Ballet and its School, nor the writings, nor the careers of the artists whom he supported. It is in the fabric of America's artistic life, to which he gave so much, and so nobly influenced.

Clement Crisp

INTERNATIONAL ARTS GUIDE

BERLIN

DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Onegin: a choreography by John Cranko to music by Tchaikovsky/Stolze. Conducted by Peter Ernst Lassen, performed by the Ballett Deutsche Oper Berlin. Soloists include Raffaella Renzi, Christophe Ferrari and Franck Balbi; 7.30pm; Jan 11
OPERA & OPERETTA
Hebbel-Theater Tel: 49-30-2510144
● Zade: by Mozart. Conducted by Christoph Hagel, performed by the Staatsoper unter den Linden. Soloists include Laura Aikin, Roman Trekel and Pär Lindskog; 8pm; Jan 10, 12, 14 (4pm), 15

BONN

MUSICAL
Oper der Stadt Bonn
Tel: 49-228-7281
● Anatevka (Fiddler on the Roof): by Bock. Conducted by Hansgeorg Koch and performed by the Oper der Stadt Bonn (in German). Soloists include C. Schreiber, K. Bellinghausen and J. Kommüller; 8pm; Jan 12

BOSTON

CONCERT
New England Conservatory - Jordan Hall Tel: 1-617-262-1120
● Stephen Drury: the pianist performs works by R. Schumann, Debussy, Hyla, Cage and De Falla; 8pm; Jan 11

CHICAGO

EXHIBITION
Terra Museum of American Art
Tel: 1-312-664-3939
● Across Continents and Cultures: The Art and Life of Henry Ossawa Tanner: this exhibition of approximately 65 works presents an overview of the artist's life and work. The display includes seascapes and images of animals and African-American life; from Jan 13 to Apr 28

COLOGNE

THEATRE
Schauspielhaus & West-end-Theater Tel: 49-221-2218400
● Die Hose: by Carl Sternheim. Directed by Torsten Fischer and performed by the Kölner Theater. The cast includes Alexander Grill, Gunda Aurich and Elfi Garden. This performance is part of a project in combination with the world premiere of Wilfried Happel's "Mordslust"; 7.30pm; Jan 12, 14, 16
● Mordslust: by Wilfried Happel. Directed by Torsten Fischer and performed by the Kölner Theater. The cast includes Alexander Grill, Susanne Barth and Markus Gertken; 7.30pm; Jan 13, 15, 18

DRESDEN

DANCE
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Rot und Schwarz: a choreography by Uwe Scholz to music by Berlioz, performed by the Ballett Dresden; 7pm; Jan 10

DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711533
● National Symphony Orchestra: with conductor Kasper de Roo, flutist William Dowdall, oboist Matthew Manning, bassoonist Michael Jones and horn-player Lesley Bisshop perform works by Ketting, Mozart and Shostakovich; 8pm; Jan 12

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● Royal Scottish National Orchestra: with conductor Walter Weller and mezzo-soprano Irina Tchistjakov perform works by Debussy, Mahler and Prokofiev; 7.30pm; Jan 11

HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Cyprien Katsaris: the pianist performs works by J.S. Bach, Cimarosa, Chopin, Liszt and Fauré; 7.30pm; Jan 10
OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● Il Barbiere di Siviglia: by Rossini. Conducted by Ivan Törzs, performed by the Hamburg Oper. Soloists include Richard Croft, Reinhard Dorn and Hellen Kwon; 7.30pm; Jan 12

HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Carmen: by Bizet. Conducted by David Stern and performed by the Finnish National Opera. Soloists include Peter Lindroos, Ning Liang and Raili Viljakainen; 7pm; Jan 10, 12, 14 (2pm)

LEIPZIG

CONCERT
Thomaskirche Tel: 49-341-12700
● Weihnachtsoratorium (Part 4 - 6): by J.S. Bach. Performed by the Gewandhausorchester and Thomanerchor with conductor Georg Christoph Biller. Soloists include soprano V. Hruba-Freiberger and alto R. Lang; 7.30pm; Jan 10
OPERA & OPERETTA
Oper Leipzig Tel: 49-341-1261261
● Die Zauberflöte: by Mozart. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Gertrud Hoffstedt, Clarry Bartha and Sangho Choi; 7.30pm; Jan 12

LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Lindsay Quartet: perform string quartets by Beethoven; 7.30pm; Jan 10, 12
THEATRE
Olivier Theatre Tel: 44-171-9282252
● Mother Courage and her Children: by Brecht, in a new version by Hare. Directed by Jonathan Kent and performed by the Royal National Theatre. The cast includes Diana Rigg, Edward Clayton and John Bluthal; 7.15pm; Jan 12, 13 (also 2pm)

MADRID

CONCERT
Fundación Juan March
Tel: 34-1-4354240
● Coro Santo Tomas de Aquino: with conductor Mariano Alfonso and organ-player Javier Rada perform works by Bruckner; 7.30pm; Jan 10

MILAN

THEATRE
Teatro Carcano Tel: 39-2-55181377
● Twelfth Night: by Shakespeare. Directed by Ennio Coltorti and performed by Kaos (in Italian). The cast includes Renzo Montagnani and Pino Colizzi; Tue - Sat 9pm, Sun 3.30pm; from Jan 9 to Jan 21 (not Mon)

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Great performers at Lincoln Center: pianist Emanuel Ax performs works by Schubert, Copland, Brahms and Chopin; 2pm; Jan 14
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Turandot: by Puccini. Conducted by Nello Santi, performed by the Metropolitan Opera. Soloists include Ghena Dimitrova, Veronica Villaroel and Michael Sylvester; 8pm; Jan 12, 15

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Ein deutsches Requiem: by Brahms. Performed by the Orchestre Colonne and the Vittoria d'Ile-de-France Choir with conductor Michel Piquemal; 9pm; Jan 12
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Orchestre National de Lille: with conductor Jean-Claude Casadesus and bass Simon Estes perform works by Wagner; 8.30pm; Jan 11

STOCKHOLM

DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● The Nutcracker: a choreography by Pär Isberg to music by Tchaikovsky, performed by the ballet of the Royal Swedish Opera House. Soloists include Jens Rosén, Ann Brattselius (Jan 10) and Nathalie Perrinaz (Jan 13); 7.30pm; Jan 10, 13 (6pm)

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Finnish Radio Symphony Orchestra: with conductor Jukka-Pekka Saraste and pianist Alexander Toradze perform works by Sibelius, Prokofiev, Dutilleux and Ravel; 7.30pm; Jan 12

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COMMENT & ANALYSIS

Michael Prowse · America

Confucius rules

America will enjoy an economic lead over Asia for decades, but it could learn valuable social lessons from the region

The US has long regarded itself as a natural role model for other countries. For most of its history it has offered a seemingly unbeatable mixture of personal freedom and material abundance. But its status as a role model is now being challenged – not by sclerotic Europe, but by east Asia, a region that has enjoyed annual per capita economic growth in excess of 5 per cent for the past three decades. If growth were randomly distributed, there is roughly one chance in 10,000 that success would have been so regionally concentrated, the World Bank says.

Asian leaders are quick to emphasise that their model of development has social as well as economic advantages. Many believe that Americans are "too free for their own good". Lee Kuan Yew, the former prime minister of Singapore and architect of its economic transformation, was blunt in a 1994 interview with the journal Foreign Affairs. Speaking of American society, he said: "I find parts of it totally unacceptable: guns, drugs, violent crime, vagrancy, unbecoming behaviour in public – in sum the breakdown of civil society."

Many Americans would retort that Singapore's authoritarianism is even more reprehensible. But they would have to concede that the quality of everyday life is impaired by crime and other social pathologies. It is a sad fact that many Americans are scared to walk the streets near their homes after dark.

Is the US model of individualistic capitalism likely to be superseded in the 21st century by a brand of Asian communitarianism that offers social cohesion as well as economic dynamism?

In narrow economic terms, the US probably has little to fear. Claims in the late 1980s that Japan and the smaller Asian "tigers" had found a new elixir of growth based on a strategic partnership between government and industry now seem naive. Most experts agree that the region's success mainly reflects adherence to economic fundamentals: unusually high rates of domestic saving and investment, a strong commitment to education, and prudent fiscal and monetary policies. In a 1993 study the World Bank concluded that Asian experiments with industrial policies were mostly a failure.

Some US economists would go further. Paul Krugman of Stanford University has made himself unpopular in Asian capitals by arguing that the region's explosive growth reflects growth of inputs rather than improvements in efficiency.

Between 1966 and 1990 Singapore enjoyed annual per capita growth of 6.6 per cent, equivalent to a doubling of living standards every decade. But over this period, the employed share of the population rose from 27 per cent to 51 per cent; investment as a percentage of national income rose from 11 per cent to more than 40 per cent, and educational standards were sharply improved. Increases in inputs of this magnitude are unrepeatable; Singapore (and other Asian economies) are thus likely to grow less rapidly over the next 30 years.

As if to confirm this thesis, Japan's growth rate has slowed (and not just during the recent slump) as its living standards have begun to approach those of the US. This is not surprising: it is easier to "catch up" by copying other people's technology than to blaze a new trail of one's own.

But while likely to remain economically pre-eminent for decades to come, the US still has plenty to learn from Asia, which benefits enormously from its Confucian cultural heritage. Earlier this century western scholars, such as the sociologist Max Weber, tended to blame Confucius for Asia's economic backwardness.

The Chinese sage – who lived 2,500 years ago – was as hostile to the profit motive as the ancient Greeks. But other aspects of his teaching have stood Asia in good stead. The region's astonishing commitment to investment in "human capital" is a direct reflection of his stress on the importance of scholarship and learning, which has no parallel in western culture.

Perhaps even more important is the emphasis the Confucian tradition places on filial piety and respect for family. The fundamental difference between Asian and western concepts of society, Lee Kuan Yew told Foreign Affairs, "is that eastern societies believe the individual exists in the context of his family. He is not pristine and separate. The family is part of the extended family, and then friends and the wider society. The ruler or the government does not try to provide for a person what the family best provides."

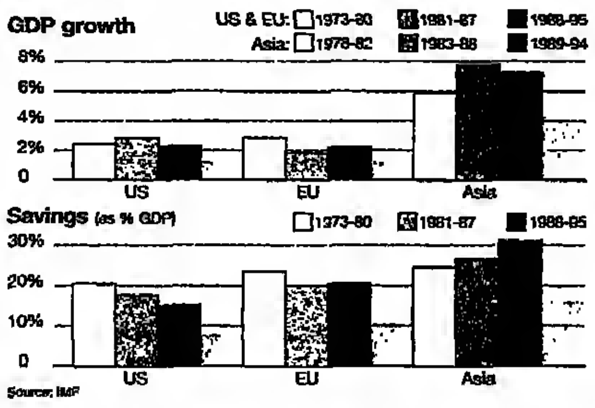
This is indeed a fundamental point. A case could be made that all of the US's (and perhaps Europe's) most intractable social problems reflect the fragility of the family. Because Asian nations have been able to rely on family members' Confucian sense of responsibility for each other, they have not needed to create tax-funded welfare states on the scale familiar in the west.

This has been a twin blessing. Asian nations have enjoyed much lower levels of taxes and public spending. And since families have had to shoulder welfare burdens, personal savings rates have also been far higher. Family cohesion, meanwhile, has helped Asia to avoid the worst excesses of American inner-city violence and depravity, which are widely seen as linked to the sharp rise in the proportion of children raised without fathers.

From a US perspective the advantages of Asian culture are seriously diminished by its authoritarianism. This, too, is a legacy of Confucian thought which saw the relationship between government and the people as akin to that between a master and pupil. The ruler is not responsible for the people's material welfare, but he is expected to instruct and mould them.

There is no prospect – nor should there be – of the US retreating from its commitment to individual liberties. But its society would benefit greatly if people could be encouraged, voluntarily, to adopt many of Confucius's maxims. I fear, however, that none of this year's presidential candidates is likely to run on a Confucian platform of moral self-improvement, love of learning, respect for family, and thrift.

The virtue of thrift



Source: IMF

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Turkey needs to seek growth based on traditional Moslem system of values

From Randhir Singh Bains.

Sir, In his article "An identity crisis" (January 3), Edward Mortimer rightly identifies ethnic nationalism as the likely cause of socio-economic disruption in Turkey.

However, Turkey's real problem is not ethnic nationalism but Islamic fundamentalism, which is affecting virtually every country in the Moslem world.

With the collapse of communism, an ideological vacuum has come into play in Moslem countries, which is being filled by Islamic fundamentalism.

Lack of economic development coupled with the west's biased perception and the Palestinian issue is pushing more and more young Moslems into the quagmire of Islamic radicalism.

Islamic fundamentalism, however, can be contained, as Malaysia and Indonesia have successfully demonstrated, by developing an economic system based on indigenous social and cultural values. In other words, economic growth driven by, not opposed to, traditional Moslem value-systems. Such growth would not only prevent the atomisation of society, but also marginalise the religious parties.

The current economic model, which tends to imitate the West almost verbatim, is bound to help rather than hamper the growth of Islamic fundamentalism in Turkey.

Randhir Singh Bains,
34 Shere Road,
Gants Hill,
Essex IG2 6TG, UK

From A.D. Hoadley.

Sir, In your news item about the Turkish elections ("Fear of Islam unites Turkish political rivals", December 27), one phrase stood out in the context of the year-end contemplation of the workings of British parliamentary democracy.

"There are deeper doubts, too, about the long-term dangers of exclusion from power of a political movement which is backed by more than a fifth of the population. . .".

In the 1983, 1987 and 1992 UK general elections the Liberal/SDP or Liberal Democrats received 25.4 per cent, 22.6 per cent and 17.8 per cent of the vote respectively, reflected by 3.5 per cent, 3.4 per cent and 3.1 per cent of the seats.

In Turkey, at least the Refah party's 21.32 per cent of the votes gave it 28.7 per cent of the seats.

May I suggest that the British electoral system deserves our serious concern regarding the long-term dangers which it breeds.

A.D. Hoadley,
16 Warren Lane,
Friston,
Eastbourne,
East Sussex BN20 0EL, UK

Irony of why Emu could hinder aim of preserving European peace

From Mr Paul Craven.

Sir, Philip Stephens ("Beyond Madrid", December 15) suggests that British Eurosceptics are "entirely oblivious of history" as "the Bonn-Paris axis guarantees British as well as European security". In writing this, he is sustaining a myth that has been propagated since the fall of the Berlin Wall.

There is no-one who doubts that peace and stability within Europe are both more likely if France and Germany are on good terms. What one might question, however, is whether this provides, and has provided, a *guarantee*.

Even the most enthusiastic supporters of Franco-German integration would surely agree that the cold war era was hardly a time that could be described as a period of "European security", particularly if one considers the totalitarian regimes of eastern Europe and the tensions in a divided Berlin.

In addition, it was only the presence of Nato forces (including a large US presence) and their nuclear deterrent that, in the final analysis, prevented the Iron Curtain from sweeping further west.

Peace has been preserved in western Europe because it has been strong and free; strong enough to face up to the threat of Communism; and free in the sense that truly democratic countries (with legitimate, accountable national assemblies and full enfranchisement) have never gone to war against each other.

Ever-closer ties between France and Germany, including a single currency, may threaten key elements of their respective democratic systems.

Ironically, therefore, Emu could actually hinder, rather than help, the commendable aim of preserving European peace.

Paul Craven,
20 Quartermile Road,
Godalming,
Surrey GU7 1TG,
UK

Separate listing proposal should be condemned

From Sir Peter Walters.

Sir, We should have always expected that regulation of the UK's privatised industries would evolve. However the suggestion from Ofwat, the water industry regulator (Letters, December 29), that a regulated utility subsidiary should be partially listed following a takeover made by its parent suggests that the evolutionary process is going seriously wrong.

This precedent, if it were allowed, would substantially reduce the threat of takeover for all privatised entities. At the same time, it would create large economic units which were neither controlled by their majority shareholders nor by the minority. In such an environment the dead hand of complacency flourishes.

This would have the effect of acting against customers' interests. Much better to encourage efficient management to seek new ways of reducing costs and utilising assets more effectively. These efficiencies can then be passed on to benefit both customers and shareholders in due course. Certainly this needs to occur in a strong regulatory framework to prevent monopoly abuse but regulators appear to have these powers already. This requires management to make its choices and be judged by the consequences. No doubt there will be winners and losers.

However, in a global economy where privatisations and private finance initiatives are growing rapidly, the gains for the winners and the British economy are potentially large. The losers will be taken over or lose their jobs, as they deserve. This is how the market expects to work and what investors were led to believe at privatisation.

This precedent, if allowed, would have deeply negative implications for the entire privatisation process both past and future. Politicians and shareholders should take note and condemn this idea to the evolutionary dustbin before it gains a foothold.

Peter Walters,
64 Chester Square,
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Subtle and psychological factors in the real cost of an asset

From Mr Neil Cummins.

Sir, I would like to comment on Samuel Brittan's article on rational choice ("Glad tidings of dear joy", December 16/17). The article uses a wine example (a case of 1982 Bordeaux bought for $30, now worth $75) to examine the perceived cost of both giving a bottle away, and dropping a bottle. The point is made that in both situations the "correct" rational answer is $75 (the opportunity cost).

If you drop a bottle that is worth $75, the "correct" cost to the individual is $75. The bottle has been destroyed, it is of no use whatsoever.

There is, however, a subtle difference between the costs of accidentally destroying an asset and giving it away. To assume that individuals only gain pleasure from self-indulgence, especially writing at Christmas, is very harsh. Many people enjoy giving, and believe that "to give is better than to receive". We only need to look at the huge amount of money donated to charities to see this.

Thus there will be a "feelgood effect" (FGE) of giving the wine away that will partially offset the cost. The money cost of giving is still $75, but the overall cost of giving will be $75-FGE. The recipient (friend, relative or colleague) will be able to enjoy the wine, and thus total social welfare will be higher than if the bottle was dropped. The donor may also benefit in real terms at a later date – the recipient may return a gift.

I am sure that a millionaire would feel happier giving $5,000 to charity than he/she would burning $5,000 by mistake. Again, the cost of giving is less than the cost of destroying, despite identical opportunity costs.

This care for fellow man makes the "rational" cost of dropping a bottle greater than the cost of giving that bottle away. There are positive benefits of giving both to the individual and to society as a whole (through an actual pareto improvement over dropping the bottle). It is incorrect to assume that the costs of the two actions are the same, accurate costs include psychological costs. The key to rational decision making is to look at all effects and not just money.

Neil Cummins,
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Personal View · Michael Cassidy

A City marketing challenge

Co-ordination is vital if London is to be promoted successfully as a financial centre

The past year was one of considerable achievement for London as a world financial centre. The City consolidated its position as Europe's leading business centre. It attracted significant investment from continental European banks, including Deutsche Bank of Germany and ABN Amro Bank of the Netherlands. And it underlined its strength in foreign exchange dealing: about a third of world turnover is now traded through London; more D-Marks are traded here than in Frankfurt.

But 1995 also witnessed a keen debate about how best to develop a co-ordinated marketing strategy for the City. In July, the chancellor established a City promotion panel of senior figures such as Mr Howard Davies, Bank of England deputy governor, Sir Brian Pearse, chairman of British Invisibles, and representatives from three overseas banks.

Mr Clarke's panel has not yet shown what it is capable of, although promoting the UK's privatisation skills in South America – as the chancellor is now doing – plays to one of the City's great strengths. Next month a Treasury minister is expected to appear before City representatives to discuss the panel's remit.

But the creation of the panel raises questions about how to co-ordinate the work of different bodies such as the Treasury, the Bank of England and the Corporation of London with a vested interest in London's continued success.

Some argue – wrongly, in my view – that no co-ordination is required. They say that the City best sells itself through its own successes and that none of the main prospective participants would consent to pool their efforts.

But there is a danger that the disparate efforts of those interested in the success of the City might confuse the very people they are trying to impress. There are two levels at which this problem needs to be addressed.

There is a danger that the disparate efforts of those interested in the success of the City might confuse the very people they are trying to impress

First, there is the question of how the City positions itself to take advantage of market opportunities. This requires decision-makers to take a position on issues such as Europe-wide financial services regulation and whether the UK should participate in a single European currency and sign up to the social chapter of the Maastricht treaty.

In these areas, a diversity of contributions is helpful. They are issues on which views are often sharply divided. It might be counterproductive to have one particular solution promoted by a single body which other participants are corralled into accepting.

Serious research and careful analysis are more likely to produce a consensus than the efforts of a super City body charged with formulating an overall "City view".

Under the Japanese system, a position would probably be imposed by the Ministry of Finance. In France, this role would be played by the Treasury. But in the UK, the proliferation of representative organisations, such as trade bodies and exchange authorities, makes it possible to develop a flexible response.

Co-ordination of the City's marketing effort, however, is a wholly different matter. It needs energy rather than insight. And, if it reduces the present duplication of effort, it is in everyone's interests.

The current lack of liaison between many of those employed in promoting UK financial services overseas has sometimes meant that two or more City organisations have visited a given financial centre within weeks, or even days, of each other. This has caused dismay and confusion among those being contacted.

Improvements are also necessary in other areas. For example, publications promoting the City need to be jointly prepared, giving an agreed general message and using common – and up-to-date – statistics. Finally, a list of individuals, willing to comment on City issues in the print and electronic media, needs to be organised. This would help to ensure a coherent and up-to-the-minute response to fast-moving events from someone who is actually in the thick of the action.

This sort of marketing co-ordination requires a commitment of resources, a team of knowledgeable people and a central organisation prepared to work consistently over a long period to achieve the desired objectives. It is a job which the Corporation of London would be well-suited to – and well-placed to undertake.

As the City's local authority, the corporation benefits from close, but objective, contact with the square mile's business community and has a proven ability to deliver results. It is not a regulator and there would therefore be no potential conflict of interest between the role of watchdog and the task of promoting London.

By the end of the decade, I expect there to be only one global centre of international finance. A co-ordinated – and well-resourced – marketing strategy can help to ensure that centre is London.

The author is chairman of the policy and resources committee of the Corporation of London

FINANCIAL TIMES

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Monday January 8 1996

Way forward in Mexico

A year ago, Mexico was in the early throes of a financial crisis, the harsh consequences of which will be felt for years. The Mexican economy may already be on the road to recovery, if a slow and uncertain one. But the credibility of the government, undermined by economic disaster and the scandals surrounding the previous administration, will take longer to restore than the economy.

Mexicans naturally blame the government of President Ernesto Zedillo for its part in botching last December's devaluation. Since then the economy has contracted by 7 per cent, unemployment has risen sharply and a substantial part of the banking system has been bailed out by the government. Default was avoided only by a $38bn US-led rescue package.

Even now investors have still to be convinced of the government's resolve. But the administration deserves credit for avoiding populist responses. The pursuit of tight fiscal and monetary policies is the best hope for restoring growth.

Yet it is not enough simply to impose macroeconomic order. The slow growth that preceded the devaluation was an indication that much more needed to be done to address the structural deficiencies of the economy. At the same time, political assassinations, corruption and drugs scandals, the Chiapas guerrilla movement and the widespread dissatisfaction with the electoral process underline the need for political reform.

Mr Zedillo has to manage a transition to democracy perhaps less dramatic than those in the former communist bloc but at least as difficult as the shift from military dictatorship to democracy in Chile. This means breaking the stranglehold of the Institutional Revolutionary Party on power and providing a level playing field for all political parties in elections.

Pervasive corruption

It includes, too, setting rules to avoid future large-scale corruption and may mean making an example of the most egregious law breakers of the past, while remembering that transitions to democracy normally require amnesties for some transgressors. The pervasive corruption must be reduced, because it has ensured that the deregulation of the economy has achieved less than it should.

Although corruption provides a link between economic and political reform, it would be naive to pretend the latter always makes the former easier. Political legitimacy is a necessary condition for the economic reforms needed to modernise the economy. But reforming the body politic will also raise obstacles to change.

Rubber stamp

Powerful forces will see their interests threatened. The Mexican Congress, once an obedient rubber stamp for the administration, is likely to become more obstructive. Congress has already diluted some government legislation, for example, its recent proposal for social security and pension fund reform. It is possible that other needed reforms, privatisations for example, will be rejected.

Yet the political changes are economically essential. Mexico's recent governments have been all too friendly to big business, but much of the dynamism of modern economies is in small and medium-sized companies, many involved in the services sector. Since they lack the political clout of their big brothers, these businesses must be freed from the dead hand of local regulation and corruption. The government has identified the corrupt legal system as a proper area for reform.

Fortunately, not everything depends on securing these difficult political changes. The sharp rise in Mexican exports this year is testimony to the depth of the recession restraining domestic demand. But it also reveals the strengths of the more competitive Mexican companies that have emerged in the last decade.

That the government has pursued political dialogue with opposition parties, and has moved ahead with modernising the economy, while pursuing macroeconomic stability, is to its credit. But the recent setback has been profound. The government must realise that promises are now useless. Nothing will do except sustained and determined action.

New frontiers in Japan

Friday's resignation of Japanese Prime Minister Tomiichi Murayama might have attracted rather less attention, had it not been premature. Mr Murayama was expected to resign in the spring anyway. But his decision to go early has prompted demands for an election which, though unlikely to be met immediately, reinforce the sense that Japan's political development has reached a milestone.

The days of factional money politics, when the Liberal Democratic party held seemingly unchallengeable sway, have long since gone. But the experience of Mr Murayama's awkward coalition of socialists and conservatives was as sad as the timing of his departure was surprising. From its bungled response to the Kobe earthquake, the government lurched to its half-hearted apology for Japanese atrocities during the second world war, and finally to the most recent controversy over using public funds to rescue bankrupt housing lenders. Japan has still not found a satisfactory alternative to its old pork-barrel style.

The waning importance of Japan's celebrated bureaucracy means the civil servants are no longer much help in providing continuity. The resignation last month of Mr Kyosuke Shinozawa, the top finance ministry official, over his ministry's handling of the financial crisis confirms that the bureaucrats who once held astonishing power no longer reign supreme. It came almost exactly a year after a series of resignations at the top of the Ministry of International Trade and Industry, casting doubt on a department traditionally revered as the architect of Japan's industrial strength.

Something new

Into this vacuum comes something new for Japan: the notion that politicians can and should stand for clearly defined policies and make it their business to sell them to the electorate. Mr Ryutaro Hashimoto, who is due to be endorsed today by leaders of the three ruling coalition parties as Mr Murayama's successor, and Mr Ichiro Ozawa, his main opponent of the New Frontier Party, can no longer advance their causes by dispensing and receiving favours in the smoke-filled rooms of the LDP. A long series of party scandals has put paid to that.

Instead they must lead from the front. Both reflect the more nationalist tone of Japanese opinion. Mr Ozawa offers a programme of fiscal rectitude with greater deregulation and competition. Mr Hashimoto stresses pump-priming to restart growth. One can discern in this the nucleus of an eventual two-party system, offering real choice to voters. In the first instance Mr Hashimoto is likely to ensure, with a radical cabinet reshuffle, that the LDP retains a tight grip on power. This will serve to sharpen his own political message.

Pitfalls aplenty

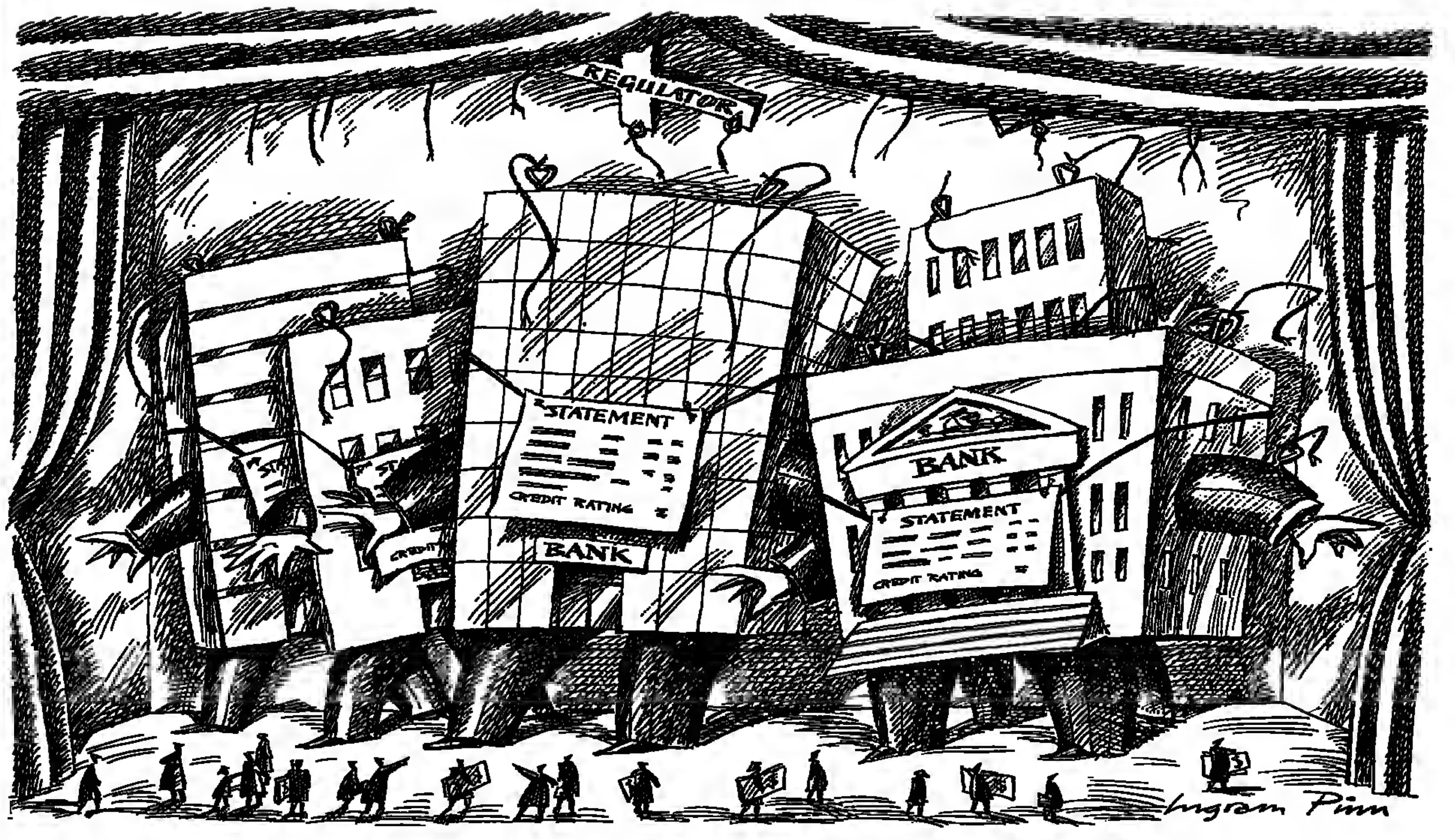
The progress to open, mature democracy has a long way still to go. There are pitfalls aplenty. A political system which pays attention to public opinion is harder to manage than one which defers to the financial interests of its elite and to the pragmatic objectives of faceless bureaucrats.

The row over the housing lenders' rescue represents only part of the challenge. With more open politics Japan could become distinctly less malleable on the international stage. The alliance with the US, which is crucial to the regional balance of power, could be harder to maintain if public opinion rejected further concessions on trade, and turned increasingly sceptical over the desirability of US bases on Okinawa.

The task facing Japan's future political leadership is daunting. At home it must find a way of reviving economic growth, while preparing the resources to provide for an ageing population. Abroad it must play a constructive role in Asia-Pacific security, balancing China's growing power without being seen as a threat to others.

What is needed is real statesmanship of the kind that understands how to mould and steer public debate as well as merely reacting to it.

The hope must be that, as they adapt to the new political reality, Mr Hashimoto and Mr Ozawa learn to provide such leadership from their respective corners. Only when Japan's democracy is both vibrant and transparent will it be able to play a role in world affairs that rightly reflects its substantial economic strength.



Depositors take centre stage

New Zealand has broken with the traditional approach to regulation by relying on markets to discipline banks, says **Peter Montagnon**

In recent years New Zealand has become renowned for pioneering economic and political reforms that have boosted its competitiveness.

The country has been most radical in its public finances, where a unique system of fiscal accounting requires the government to produce a regular balance sheet setting out its net worth. New Zealand also has an independent central bank, headed by a governor who can be sacked for failing to meet inflation targets.

Now the process of change is reaching the country's banking system, with the introduction this month of a new system of regulation that will rely on the markets to discipline the banks rather than a government regulator.

The new system, which has been three years in preparation, will require the banks to make detailed quarterly statements about their activities to the Reserve Bank, the supervisor. Each bank will have to display a two-page summary of this in every branch to allow depositors to decide whether the institution is trustworthy. It will then be up to the customers rather than the Reserve Bank as supervisor to decide whether they are sound enough to remain in business.

This is a radical departure from the traditional rules agreed under the aegis of the Bank for International Settlements whereby civil servants are responsible for monitoring a bank's health. Though the Reserve Bank has a residual responsibility for protecting the system, it will not bail out a bank that gets into trouble. And if depositors lose money in the process, that is tough luck on them too.

Already the new system has caught the attention of other regulators and cantral banks, partly because it seems to get round the age-old problem of moral hazard that besets the traditional approach. If the authorities will rescue any bank that is threatened with collapse, there is little incentive for managers to rein in risks. Moreover, supervisors cannot be blamed for not noticing if things are starting to go wrong.

New Zealand's system puts the onus on directors to ensure their institution is sound. They are required to confirm publicly that a bank has adequate systems to monitor and control risk. Directors who are shown to have been negligent in checking this may be sued by aggrieved creditors of a failed institution.

According to Mr Don Brash, governor of the Reserve Bank and one of the architects of the new system, this is the nub of the whole idea. Conventional supervision did not prevent the recent losses at Daiwa Bank which built up over 11 years. And with Barings, the fatal build-up of liabilities happened so fast that even quarterly reporting would not have spotted the problem.

In cases such as Barings and Daiwa, however, it was faulty internal control systems that were at the root of the problem. Mr Brash argues that only the directors are in a position to establish robust systems to monitor the business and avoid such losses. The circumstances under which the losses were able to arise might not have occurred had they asked the right questions – for example over whether responsibilities for trading and settlement had been separated.

But this argument presumes that independent directors will have more expertise in probing control systems than professional bank supervisors.

"It's very hard for independent directors to understand and monitor the risks," says Sir John Anderson, chief executive of National Bank, a Lloyds Bank subsidiary.

"You'd wonder why anyone would want to be one," adds Mr Chris Moore, banking professor at Massey University in Palmerston North.

Bankers also fear that their quarterly reports may be open to misinterpretation – for example, large seasonal fluctuations in profitability could jeopardise confidence unnecessarily. And the reports may undermine commercial confidentiality, because analysts would be able to guess which borrowers had run up particularly large debts.

Another worry has been over disclosure of so-called market risk – for example, a bank's exposure through the derivative markets to sudden changes in interest rates. Failure to agree on a disclosure format for market risk means this part of the reform will only enter force in July.

Mr Simon Carlaw, executive director of the New Zealand Bankers' Association, says there is "considerable scepticism" over whether any formula can be devised that means anything to the public and still does not damage an individual bank's competitive position.

For Mr Brash, however, the change is an opportunity to upgrade bank boards and weed out directors who are not properly qualified. "We'll have smaller bank boards in future and probably somewhat better paid directors."

He is also quick to defend the scheme against other criticisms. Traditional supervisors worry that there will be less opportunity for assessing the quality of a bank's loan book. The supervisors can discuss the identity of individual large borrowers as well as raise questions over the amount a bank has lent. The supervisor can raise that question privately. But, counters Mr Brash, knowing a large borrower's identity simply puts the supervisor in the awkward position of being the ultimate arbiter of credit risk.

Similarly he denies suggestions that the new system relies too heavily on credit ratings issued by agencies such as Moody's or Standard & Poor's. Banks must publish their rating as part of their quarterly statement and disclose the absence of a rating as well. They will thus in effect have to comply with standards on, say capital adequacy, imposed by the agencies.

Mr Brash turns out to be a great fan of these organisations. They have a strong incentive to get their judgments right, he says, or their reputations will collapse. They can also grade a bank, whereas for a supervisor the issue is black or white. Conventional supervisors cannot warn publicly if a bank's condition is deteriorating; they can act only when it is too late.

International reaction to date suggests the idea of market discipline appeals more to the economists in central banks than their professional bank regulator colleagues. Cynics might argue that regulators are more sceptical because many would become redundant if the new system took off. But, being close to the coalface, the regulators can also see the possible pitfalls.

The main one is whether depositors have the skills to decide whether an institntion is trustworthy. It is hard to imagine Mr and Mrs Smith of Taranaki scrutinising and understanding the two-page statement before opening a savings account.

Bankers also say that New Zealand will be relying on the foreign ownership of most of its banks to avoid embarrassing collapses – all but two of the country's banks are controlled by foreign parents. "Why this works is all because of the overseas ownership of the majors," says Sir John Anderson of National Bank. "There's very little risk of anyone falling over."

Mr Brash admits New Zealand is to some extent riding on the coattails of regulators in other countries who are responsible for supervising the parents of New Zealand banks. But he says New Zealand would probably have gone ahead even if most of its banks had not been foreign-owned with head offices supervised by regulators abroad.

Although they expect other regulators to focus on how effectively the new system disciplines directors, analysts are not sure bow exportable the model is.

For example, it is unlikely to be attractive in countries where depositors are protected by some form of insurance against loss if their bank collapses. This puts greater pressure on regulators to supervise banks more actively since the cost of bailing out the depositors falls on the government and other banks which provide the insurance. With no deposit insurance, the New Zealand Reserve Bank is under less pressure to be the guardian of the industry's responsibility.

But other regulators cannot afford to stand back and let the market do its work.

"It's a basic philosophical issue," says Mr Moore of Massey University. "Either you believe that a lender of last resort and deposit insurance is the way to market stability. Or you believe in the market finding its own solntion. Yon cannot really mix the two."

· OBSERVER ·

Not so still waters

■ UK fisheries minister Tony Baldry, who has angered Cornish trawlermen by allowing Spanish and Portuguese fleets into the much disputed "Irish Box" waters between western England and Ireland, might consider a tougher line.

A robust stance certainly doesn't seem to have harmed the career prospects of his Canadian counterpart, Brian Tobin, who was also a little-noticed junior minister until he piloted Ottawa's imaginative and aggressive strategy in last spring's North Atlantic "turbot war".

Having ordered the seizure of a Spanish vessel on the high seas, Tobin then engineered what must be every fishery minister's dream photo-opportunity by displaying the trawler's illegal nets outside the United Nations building in New York.

The spunky Newfoundlander, who started working life as a television reporter, has not looked back since. Today he is expected to make himself available for election as Newfoundland's premier when the present incumbent, Clyde Wells, steps down next month.

No other contenders are likely to enter the ring against ths man who has become known from coast to coast as "Captain Canada".

Meanwhile, Tobin, 41, is actually reckoned to have his eye on a bigger catch still.

Of course, if he really hopes to be prime minister, he will need to learn French. Then again, if and when his time comes, it could be that he is Captain Canada, sans Quebec.

Bedside manners

■ It is not just political feuds that are clouding tha air around the bedside of Andreas Papandreou.

Jostling for attention on the sixth-floor of the Onasseion Cardiac Hospital, where the Greek prime minister is recovering from pneumonia, are the prime minister's wife, Dimitra Papandreou, and his daughter Sophia.

Sadly, Sophia is not on speaking terms with her stepmother. Like the Greek politicians who are trying to persuade Papandreon to resign, she thinks that Dimitra monopolises too much of the prime minister's rather limited visiting time.

She also objects to Dimitra's efforts to assist recovery with flasks of holy oil, Byzantine icons and other bits of Orthodox paraphernalia

So there was scant sympathy when Dimitra collapsed last week, suffering from what turns out to be a bout of hepatitis. With Dimitra currently unable to visit her husband for risk of infection, members of Papandreou's Panhellenic Socialist Movement also reckon they have a better chance of getting him to step down. But they want the request to come from the family.

George Papandreou, the prime minister's eldest son and the education minister, says he will try in the next few days. Sophia will no doubt be there too, standing guard at the door.

Down and out

■ Is nothing sacred? From the start of this year, the BBC World Service, beset by the exigencies of its shrinking Foreign Office budget, has axed broadcasts to France.

Now it emerges that it will be soon on air in Auckland, New Zealand – accompanied by two minutes of commercials every hour. Whatever will the radio service's hugely decidated audience in far-flung corners of the globe make of the trend?

Well, it is one such listener, Chris Woodward, an English-born businessman, who is responsible for this nudge down the slippery slope.

Devastated when the World Service suddenly went off air in his Auckland suburb, he approached the BBC, who kept promising the service would be back. Except nothing happened – until Woodward involved his own company Worldwide Broadcasting and sunk NZ$1m plus ($655,308) into a project that would allow his Kiwi neighbours to hear London calling once again.

While the BBC has agreed to pay the cost of relaying the service by satellite to Auckland, Woodward is on his own from there on. He faces start-up costs of around NZ$450,000 ($294,888), and reckons the first year will cost him some NZ$600,000 ($393,185). Hence the advertising, which he promises will be "appropriate".

Nor will there be any missed programming, thanks to a "magic box", designed and built in New Zealand, which condenses an hour's worth of broadcasting into 58 minutes by removing the pauses in speech. "You just cannot tell the difference" he says – surely a relief to some of those politicians who sound shrill enough even at normal speed.

Ash hash

■ Aren't Benson & Hedges' copy writers playing with fire?

An advertisement currently running in Germany depicts a volcano belching thick clouds of smoke, with a caption underneath to the effect that "Mother Earth smokes too, after all".

How long before some passive smoking bore points out that proximity to Vesuvius didn't do the residents of Pompeii a power of good either?

The Financial Times

100 years ago

United States Bond issue
It was stated last night that the United States Treasury was already receiving sealed applications for the new Bond issue from the public. Market men were, however, more interested by the assertion that these applications are being received without any deposit being asked for. Evidently the Treasury intends the "stags" to have a good time, and we are not surprised to learn that the applications are very numerous. Assuming our information to be correct, we can quite understand the exultation on the part of Uncle Sam at the prospect of untold gold which awaits him.

50 years ago

Greece faces disaster
Matters have gone from bad to worse and have now come to a head. Commodity prices have doubled since 1st December and are now as much as nine times the 30th June level. A 100 per cent increase in wages has just been anthorised for December to make the general level five times what it was in June. The main feeling in the country is one of disillusionment bordering on panic. The whole country is convinced that a foreign loan is necessary to save the situation and there is a belief that this will not be granted.

FINANCIAL TIMES
Monday January 8 1996

Banks poised to block reforms plan at London Stock Exchange

By John Gapper, Banking Editor, in London

The London Stock Exchange faces further controversy over proposals to reform the way in which shares are traded following the abrupt dismissal last week of Mr Michael Lawrence, the exchange's chief executive.

Large investment banks are now poised to block a choice of methods for trading shares in the largest companies in the wake of Mr Lawrence's sacking for having lost the confidence of the exchange's 350 members.

The issue will come to a head with the publication of a consultation document on share trading reforms which is due out this week. The document is set to include the option of a "hybrid" trading system for the top 350 shares.

However, leading investment banks that currently act as marketmakers on the exchange by offering to buy and sell shares are likely to insist on a single method of share trading, rather than brokers having a choice.

Currently, the marketmakers commit themselves to quoting buy and sell prices for the shares in which they trade at all times.

Mr Lawrence's apparent openness to a hybrid, combining marketmaking with an "order-driven" alternative – allowing brokers to place on screen offers to buy and sell only those blocks of shares they want to trade at that moment – contributed to marketmakers' distrust.

Some marketmakers disliked a reference by Mr Lawrence at a board meeting on November 30 to adding "bells and whistles" to the current marketmaking system. They felt he was underestimating the impact of a hybrid trading system.

However, Mr Lawrence is thought to have been largely convinced by arguments from marketmakers that a hybrid was impractical.

A technical specification for Sequence VI – the exchange's planned new electronic trading platform – envisages a purely order-driven trading system.

The committee deciding on reforms to coincide with introduction in August of Sequence VI is now dominated by marketmakers following an intervention by two leading investment bankers.

Marketmakers fear that profitable business would move to the order-driven alternative while they would still have to commit capital to a marketmaking system which would be largely used for the less profitable trading, reducing their returns.

Some marketmakers may accept an order-driven system for the top 350 shares in the belief that large investors will still have to buy and sell big blocks of shares through them rather than on order-driven trading screens.

The steering committee to guide reforms was expanded to include three marketmakers following an intervention by Lord Rockley, chairman of Kleinwort Benson, and Mr Martin Owen, chief executive of NatWest Markets.

Hashimoto

Continued from Page 1

judging by calls over the weekend for a snap general election by all Japan's leading newspapers.

But despite the public criticism, Mr Hashimoto started to draw up a new cabinet on the weekend, in which 13 of 20 posts, including finance and agriculture, would be from his party.

Mr Hashimoto needs strong figures in charge of these two ministries to fend off opposition attacks on the allocation of public money for the liquidation of the housing loan companies.

Agricultural co-operatives, big lenders to the companies, are the main beneficiaries of the bailout.

One candidate cited by party officials to succeed the NHP's Mr Takemura as finance minister, is Mr Seiroku Kajiyama, an LDP veteran who helped Mr Hashimoto become party president last September. Mr Murayama will not seek a job in the new cabinet.

Yeltsin's list

Continued from Page 1

Yeltsin to appoint a close confidant who would unquestioningly implement his views. Some commentators have tipped Mr Dmitry Ryurikov, the president's chief foreign policy adviser. He is believed to have been a critic of Mr Kozyrev and has argued for a more assertive foreign policy.

Despite the assertion that there would be no change to foreign policy, the liberal Nezavisimaya Gazyeta newspaper suggested Mr Kozyrev's departure could lead to a new approach. "It is obvious that the course which the new head of the foreign ministry pursues will differ strikingly from that of Kozyrev," it said.

But western diplomats said the differences were likely to be merely cosmetic. They said it was already evident the Kremlin was intent on pursuing a more assertive policy. "The change in Russian foreign policy has already taken place. It was just that Kozyrev was unable to articulate it effectively enough," said one.

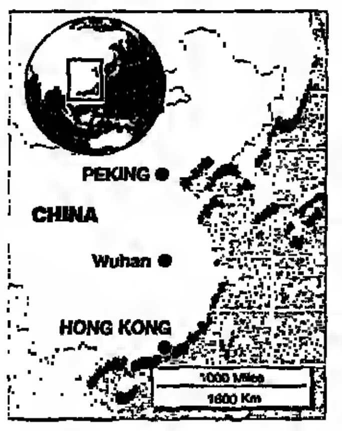
High hopes for low-rise Chinese city of the future

Wuhan development offers solution to housing crisis

By Simon Holberton in Hong Kong

Taking shape in the northern suburbs of Wuhan, an industrial city on the Yangtze River, is an experiment in public housing which is proving to be one of the solutions to China's chronic inner-city housing problems.

On a 66 hectare site a Hong Kong property developer is building low-rise apartment buildings which, at first sight, would seem in keeping in a more developed Asian city. Indeed the comparison New World Development likes to make is with Shatin, a town in Hong Kong's New Territories and one of the more desirable places to live in the colony.



But while a 55 sq m flat in Shatin costs about HK$2.5m ($323,500), the housing in Wuhan is for people on low incomes and costs just Yn80,000 ($9,600) for a similar-sized flat. Known as *anzhu* (peaceful living) housing, it is part of a massive effort at urban renewal in China's inner cities.

It is also part of a solution to the reform of welfare and state enterprises. Large state-run companies in China provide cradle-to-grave welfare for their employees, including heavily subsidised housing. *Anzhu* housing, however, is for owner-occupation.

Companies may make loans to employees to assist them in the initial purchase, but thereafter it is up to the homeowner to maintain the property. This relieves the enterprise of responsibility for upkeep and, as the *anzhu* estate will have schools and hospitals, of associated social welfare obligations as well.

"The government can't afford to subsidise all the citizens who need housing," says Mr Nam Binliang, director of housing in Wuhan. "What is good for the government and the people is for foreign investors to come in, bring in capital, and build something local people can afford.

"It's the dream of all in Wuhan to have their own toilet, washroom and living space. In old Wuhan, many have to go to a public toilet or bath. Our research shows that people strongly desire their own self-contained living space."

At Evergreen Gardens, as the estate is known, there are nine different types of apartment building located on sweeping avenues. When completed in 2000, the development will house about 60,000 families and contain seven primary schools, four high schools, a hospital and a commercial district.

The buildings are no higher than six storeys because they do not contain elevators but, that modern convenience aside, the flats are roomy and meet the city's requirement that people have at least 8 sq m of living space each, excluding kitchen, toilet and hallways.

The project, begun two years ago, has become a magnet for officials in charge of housing in other Chinese cities. "Many cities from all over China have come to look at Evergreen Gardens, and they come frequently," says Mr Zhang Ke Xiao, director of the Wuhan municipal urban and rural construction committee.

New World Development made its name as a property developer in Hong Kong, but during the 1980s expanded on the mainland into roads, bridges, power stations and low cost housing.

It is particularly active in Wuhan, where it has a hotel and a department store along with near 50 per cent interests in the city's airport, the toll road from the airport to town, and a toll bridge over the Yangtze.

The company recently incorporated a subsidiary, NW China Homeowner Development, which will own New World's interests in low cost housing in China. In a private placement of shares, New World raised $215m from foreign investors which, with the $275m it put up, gives Homeowner $490m to invest in low cost inner-city housing projects.

It has told investors it can earn a net return on their investment of at least 25 per cent because Wuhan has waived most taxes and charges associated with property development.

The company only has to pay land usage tax of Yn25,000 a hectare instead of the usual Yn250,000 to Yn300,000. The city has waived taxes and fees it would normally charge developers for sewerage, power, education, and licensing.

In addition, 30 per cent of the housing built is able to be sold on the open market at market rates. A recipient of *anzhu* housing pays only Yn910 per sq m, while market rates in Wuhan suggest the company might be able to sell the flats for between Yn2,000 and Yn2,500 per sq m.

But for Wuhan, it is not the complete solution to its housing problems. The city's authorities estimate they need to build 2.8m sq m of housing a year to meet the demands of renewal and population growth.

THE LEX COLUMN

Plus ça change?

The government has backed down and the strikers have gone back to work: it is almost as if the wave of social unrest which brought France to a virtual standstill last month never happened. Not quite, though: the government has caved in on the issue of pension reform, but is pushing through substantial spending cuts, which, in conjunction with tax increases, will eat into France's budget deficit. The cost of the upheaval was that slow growth turned into decline. The economy is still digging its way out, and there is very little chance of achieving the 2.8 per cent growth in 1996 forecast by the government.

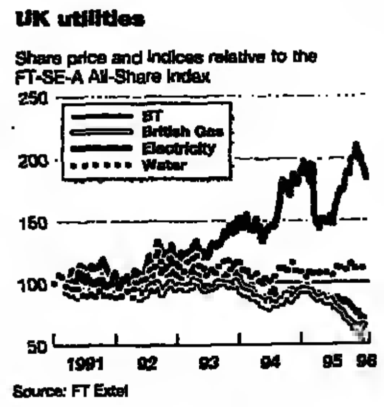
Was it worth all the trouble? Definitely. France still needs pension reform, but the current system will not implode for around 30 years – way beyond most investors' time horizons. Furthermore, France's problems are no worse than those of many other European countries.

Meanwhile, progress has at least been made on budget deficit reduction. Slow growth still means that France will probably fail to meet the Maastricht budget deficit target of 3 per cent of gross domestic product. But provided it can kick-start the economy fairly rapidly, it may overshoot by only half a point or so. This should not necessarily prevent France from joining a single European currency in 1999.

To achieve sufficient growth even for that, France needs to cut interest rates rapidly. Luckily, the German economy is not in great shape either. This means that the Bundesbank is likely to cut rates further in the next few months, giving the French authorities some room for manoeuvre.

UK utilities

Share price and indices relative to the FT-SE-A All-Share Index



Source: FT Extel

US budget debate

The sight of thousands of returning US government workers following President Bill Clinton's latest concessions in the disruptive budget debate should do something to boost investor confidence. Both the Democrats and Republicans are now committed to fiscal restraint in the form of a balanced budget by 2002. Even if they still differ on how to get there, the gap between the two is undoubtedly narrowing, raising the likelihood of an agreement that would provide a favourable environment for further cuts in US interest rates.

Nonetheless, the financial markets have already written in a sufficiently rosy scenario that it is hard to see scope for substantial further gains.

True, if there is agreement, it will remove current uncertainty, so a knee-jerk rise in bond and equity markets is to be expected. But with Treasury bond yields already around the 6 per cent mark, there is only limited scope for further improvement. Besides, no agreement on balancing the budget could be set in stone – any meaningful change in economic conditions would make it impossible for future governments to meet the targets.

In the short term, there are still considerable risks. Any signs of an upturn in inflationary pressure would shatter current expectations of rate cuts, undermining both bonds and equities. And in the lead-up to an election, there is plenty of room for nasty surprises. However, investors can take some comfort from history – the equity market has risen in 10 out of the last 12 election years.

UK regulation

According to their critics, privatised utilities are a gold-mine for investors. The reality is rather different. Although the water and electricity sectors have handsomely outperformed the market since privatisation, British Telecom and British Gas have both underperformed by nearly 20 per cent. Nor is this the end of the story: the further businesses get from privatisation, the more difficult they will find it to outsmart regulators by pulling cost savings out of a hat. It is not surprising, therefore, that investors are wary of regulated businesses.

What really irks them about regulation, though, is its unpredictability. The rules are sometimes simply unknown. During last year's spate of electricity takeovers, for instance, everyone would have benefited from a clearer statement of ministers' criteria for deciding whether to refer bids to the Monopolies and Mergers Commission. Or take the water sector, where the regulator urges companies to share unexpected efficiency gains with customers in return for a vague promise that good behaviour will be rewarded at the next review. In reality, no one can judge how the regulator will take early payouts to customers into account.

This is not the only area where the water regulator has his own approach. Unlike his peers, he thinks special dividends should be matched pound for pound with payments to customers. And he wants companies to list some of the shares in their regulated business when they become part of a bigger group. In both cases, water companies are subject to rules which other companies are not – simply because of the beliefs of an individual.

The fact that rules vary between industries, even when the same issue is at stake, serves to remind investors that rules may last for only as long as regulators hold their jobs – and sometimes not even that long. The electricity regulator's dramatic volte-face last year is a case in point. The Labour party's proposed windfall tax is another. And the government's alternative to a windfall tax – nabbing a big chunk of the value of the National Grid for customers – was another.

The worst uncertainty of all is that the regulatory regime could be rewritten from scratch. The gas regulator is already consulting on the idea of sharing unexpected profits with customers for British Gas's TransCo business. And the Labour party would like to apply this wheeze more generally.

Profit-sharing in this way is a bad idea because it reduces the incentive to cut costs, which is the only way to benefit customers in the long run. Moreover regulators now have years of experience of price regulation under their belts. A new system would simply provide utilities with lots of new opportunities to evade them.

Root-and-branch upheaval is not the way to make regulation work better. A more promising step forward would be a clear set of common basic principles, agreed between the regulators and designed to outlive any individual. The results – more consistency, stability and an end to reinventing the wheel at every price review – would be good news for investors. By reducing regulatory risk, and hence the cost of capital, it should benefit customers too.

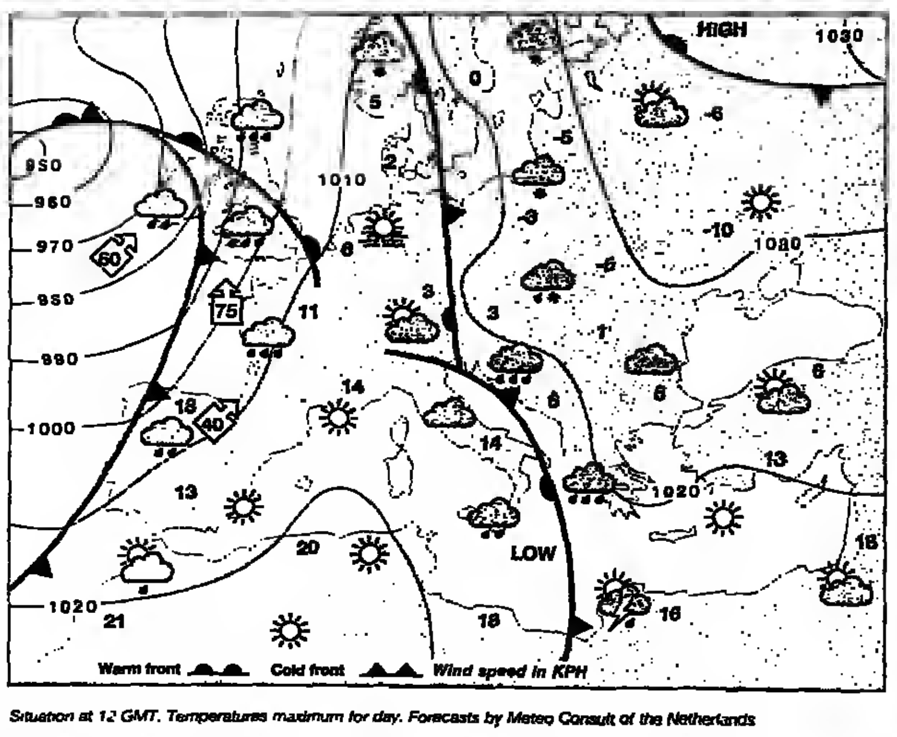
FT WEATHER GUIDE

Europe today

A front bringing cloud and patches of freezing rain will move slowly over Poland and the northern Balkans. Western Europe will have mild and rather windy conditions. Storm force southerly winds and heavy rain will affect western France and the UK. The temperatures will be higher than the seasonal average. Regions of eastern France and the Benelux will have some fog. Low pressure over southern Italy will cause rain from Hungary to western Greece and southern Italy. Southern Scandinavia will have a thaw preceded by light snow or ice. Mountainous regions of the Balkans will have blizzard conditions. The Ukraine and northern Russia will stay dry with severe frost. Spain will be sunny on the east-coast but rain will move in from the west in Spain and Portugal.

Five-day forecast

Some mild air will continue to spread into western Europe. A strong southerly wind will bring warmer conditions to western Scandinavia. It will be windy and wet from the UK across France and into Italy. Eastern Russia will stay cold with widespread frost, but central Europe will be noticeably warmer.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	fair	-2	Caracas	fair	29	Faro	rain	17	Madrid	rain	10	Rangoon	fair	30
			Belfast	rain	11	Cardiff	rain	12	Frankfurt	fair	3	Majorca	fair	17	Reykjavik	shower	6
Abu Dhabi	fair	27	Belgrade	fair	4	Casablanca	shower	21	Geneva	fair	7	Malta	rain	15	Rio	fair	31
Accra	cloudy	32	Berlin	ice	0	Chicago	fair	-1	Gibraltar	rain	15	Manchester	rain	12	Rome	fair	15
Algiers	sun	20	Bermuda	rain	21	Cologne	fair	5	Glasgow	rain	10	Manila	cloudy	29	S. Frsco	cloudy	15
Amsterdam	fair	6	Bogota	fair	20	Dakar	sun	28	Hamburg	cloudy	2	Melbourne	cloudy	24	Seoul	fair	-3
Athens	fair	11	Bombay	sun	30	Dallas	sun	15	Helsinki	fair	-3	Mexico City	fair	20	Singapore	cloudy	30
Atlanta	fair	6	Brussels	fair	7	Delhi	hazy	23	Hong Kong	cloudy	21	Miami	fair	16	Stockholm	cloudy	-1
B. Aires	sun	30	Budapest	cloudy	0	Dubai	fair	27	Honolulu	fair	29	Milan	cloudy	6	Strasbourg	cloudy	6
B.ham	rain	11	C.hagen	snow	0	Dublin	rain	12	Istanbul	fair	5	Montreal	cloudy	-10	Sydney	shower	24
Bangkok	fair	31	Cairo	sun	20	Dubrovnik	rain	13	Jakarta	shower	28	Moscow	cloudy	-7	Tangier	shower	19
Barcelona	fair	13	Cape Town	fair	25	Edinburgh	rain	10	Jersey	shower	5	Munich	fair	5	Tel Aviv	fair	19
									Karachi	fair	27	Nairobi	fair	27	Tokyo	shower	11
									Kuwait	sun	20	Naples	shower	14	Toronto	cloudy	-4
									L. Angeles	sun	24	Nassau	cloudy	23	Vancouver	rain	10
									Las Palmas	fair	23	New York	snow	-3	Venice	rain	9
									Lima	fair	25	Nice	fair	14	Vienna	ice	1
									Lisbon	rain	16	Nicosia	fair	14	Warsaw	fair	-3
									London	rain	12	Oslo	snow	-2	Washington	snow	-2
									Lux.bourg	fair	4	Paris	fair	11	Wellington	shower	21
									Lyon	fair	8	Perth	sun	33	Winnipeg	cloudy	-7
									Madeira	rain	21	Prague	cloudy	1	Zurich	fair	5